

## GUJARAT TECHNOLOGICAL UNIVERSITY

MBA - SEMESTER-IV • EXAMINATION-SUMMER • 2014

**Subject Code: 2840003**

**Date: 21-05-2014**

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

**Time: 10.30 am - 13.30 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 (a)** Ethisphere Institute, USA has recently published a ranking of World's most ethical companies. Out of 144 companies from 41 industries, all over the world, there are two Indian companies, Tata Power and Wipro in this list. Taking this as a background, Discuss the importance of ethical practices for business corporations of today. Can being ethical be a good strategy for a successful company? Justify your answer with relevant examples. **07**
- (b)** Define corporate governance. Discuss the nature, evolution and mechanism of corporate governance practices in the business world. **07**
- Q.2 (a)** 1. Briefly explain Kohlberg's six stages of Moral Development **03**  
2. Write a brief note on Recommendations of the Narayanamurthy Committee report on Corporate Governance. **04**
- (b)** Discuss with examples, the Corporate Governance practices in US, Germany and Japan, outlining similarities as well as differences among them **07**
- OR**
- (b)** Explain the salient features of Corporate Governance practices in India **07**
- Q.3 (a)** Explain the meaning and objectives of Corporate Social Reporting. How does it help in improving governance of companies? **07**
- (b)** 1. Discuss the use of Creative Accounting by companies for falsifying data and cheating shareholders. **03**  
2. List some of the important recommendations of the Ganguly Committee report for improving Corporate Governance in Banks. **04**
- OR**
- Q.3 (a)** Define Whistleblowing. Under what conditions is Whistleblowing justified? Discuss Whistleblowing and its effect on Trust in an organisational context. **07**
- (b)** 1. Briefly list and explain the steps in Ethical Decision Making **03**  
2. What is a two tier board structure? How does it affect Corporate Governance in companies? **04**
- Q.4 (a)** How are Independent Directors in the Board, different from other Directors? Discuss the role of Independent Directors in ensuring good Corporate Governance. **07**
- (b)** The collapse of the WorldCom, Tyco and Enron in US led to an important piece of legislation which has drastically changed laws related to corporate governance in US and all over the world. List and explain some of the important features of this Act. **07**
- OR**
- Q.4 (a)** What are the main requirements of the revised Clause 49 of the Listing Agreement as given by SEBI for ensuring good Corporate Governance **07**
- (b)** List and explain the important Board sub committees and their role in effective Corporate Governance. **07**

**Q.5 (a)** Read the following case and answer the questions below it.

Sandoz Nutrition Corporation is a subsidiary of the Swiss pharmaceutical giant, Sandoz Ltd. Sandoz, based in Minneapolis, Minnesota, began manufacturing Optifast 70, a liquid meal-replacement weight loss program in 1976. The six month program is designed for people who are at least 30 percent or 50 pounds over their ideal weight. Health problems often accompany excessive weight. Optifast provides an opportunity to get rid of the weight fast.

The Optifast program is only available through doctors, hospitals, and medical clinics; a prescription is required to purchase the products. The Optifast program typically begins with the patient being placed on 420 to 800 calorie diet per day of liquid protein for 12 to 16 weeks. Calorie intake is then increased to 1000 or 1200 calories per day for the remainder of the program. The total cost is between \$1400 and \$2800.

Optifast sales grew slowly following its introduction as the medical community and consumers became aware of the program. Sales continued to build slowly until mid November 1988. Then Oprah Winfrey announced on her TV talk show that she had lost 67 pounds using Optifast. She appeared on the program in size 10 jeans to prove her point. Here was a celebrity endorsing Optifast without being asked for or paid! Within hours Sandoz received more than 200,000 phone inquiries about the Optifast diet program.

The firm does not publish sales figures, but they forecasted a sales increase of from 25 to 30 percent during the six weeks following Oprah's announcement.

In 1989 Sandoz launched a print advertisement program, mostly in professional journals. Its promotional brochure and ad claims included: (1) "The one that's clinically proven safe and effective" and (2) "You can call the Optifast program today, and have all you need to control your weight for the rest of your life."

Unfortunately for Oprah, she regained 17 pounds during the first year after she completed the Optifast program. Studies at the University of Pennsylvania suggested that people who undertake quick weight loss programs such as liquid diets are likely to experience weight rebounds. Studies at the University of Michigan indicated that as many as 90 percent of dieters regain weight within five years after losing it. Liquid diets have also been linked with dizziness, headaches, nausea, gallbladder problems, and irregular heartbeat. Thus, there appears to be some difference between claims and use experience.

1. Were any ethical norms or principles violated by Sandoz? **04**
2. Are liquid diet products ethical products? Justify your answer **05**
3. What moral responsibility might Sandoz have considered when developing its promotion messages for the customers? **05**

**OR**

- Q.5 (a)** Discuss the concept of Utilitarianism as a theory of Ethics. List and explain the types and limitations of Utilitarianism with relevant examples **07**
- (b)** "There is one and only one social responsibility of business---to increase its profits."- Milton Friedman. Do you agree with the above statement? Justify your answer with relevant theory and examples. **07**

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