

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER (4) • EXAMINATION – WINTER 2017

Subject Code: 2840003

Date: 02/NOV/2017

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

Time: 10.30 AM TO 01.30 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 Multiple- Choice Questions (Choose the Best answer from the options given) 6

Q.1 (a) ‘Organizations should clarify and make publicly known the roles and responsibilities of board and management to shareholders’. The statement talks about the _____ accepted principles of corporate governance.

- A. Role and responsibilities of the Board. B. Integrity and ethical behavior.
1. C. Right and equitable treatment of shareholders. D. Disclosure and Transparency

The biggest ethical dilemma is to choose....

2. A. What is right. B. What is wrong.
- C. Between right and wrong. D. Between two wrong or two right.

The _____ implies that the actions are guided by fairness, equity and impartiality.

3. A. Theory of care B. Theory of justice
- C. Theory of rights and duties D. Utilitarian Theory

In Kohlberg’s ‘Conventional Stage’ of development of moral understanding, the following orientation exists:

4. A. Instrument & relativity B. Universal Ethical principles
- C. Social Contract D. Interpersonal concordance

The _____ Principles were revised and re-issued in 2004 in the wake of the financial problems in the global corporate world and to develop well functioning markets.

5. A. Cadbury Committee B. Combined Code
- C. Anglo-American D. OECD

- The _____ Committee was appointed in 2002 for revision and further improvement of Clause 49 for making Indian corporate governance process world class.
6. A. Naresh Chandra B. Ganguly
C. Kumar Manglam Birla D. Narayan Murthy
- Q.1 (b)** Write briefly on: 'Ways to improve governance in the big family-owned business houses in India'. **04**
- Q.1 (c)** Short note on: 'Ethical dilemma and Methods to resolve it.' **04**
- Q.2 (a)** Define Corporate Governance. Discuss in detail the landmarks of emergence of Corporate Governance in India with a flow-chart. **07**
- (b)** Discuss how 'Code of Ethics and Business Conduct' of Company XYZ, can help to ensure ethics in their national as well as global business practices. **07**
- OR**
- (b)** Critically discuss who should be responsible for following ethics in business and what care should be taken in ethical-decision making in practical business situations. **07**
- Q.3 (a)** What is the purpose of Corporate Governance codes? Discuss in detail the Cadbury Committee Report of 1992. **07**
- (b)** Discuss how the Sarbanes Oxley Act, 2002, helped to attain the objective to meaningfully reduce occurrences of fraud and failures in corporate reporting in the U.S. **07**
- OR**
- Q.3 (a)** Discuss how the new provisions of the Companies Act 2013 have targeted to improve the governance of the companies in India. **07**
- (b)** Imagine that you are asked to design a 'Total Ethical Practice' (TEP) process for good governance for Company ABC; how would you go about it step-by-step? **07**
- Q.4 (a)** What is the link between business system and its environment. Compare and contrast the management of ethics in the internal and external environment of business. **07**
- (b)** Discuss how Corporate Social Responsibility can be used as an effective strategy for good governance and for ethical conformance. Discuss what new provisions have helped to improve CSR spending of corporate in India. **07**
- OR**

- Q.4** **(a)** Write detailed note on the following: **04**
1. SEBI as a market regulator. **03**
2. Role of Independent directors to improve governance of Listed Companies.
(b) Critically discuss the role and usefulness of the ‘Utilitarian Theory’ in assuring ethics and morality in the society with an example of the Land Acquisition or Slum Redevelopment Projects or any other example of your choice. **07**

Q.5 **Case Study (Q.5 A OR Q.5 B)** **14**

Q. 5 A. CASE: THE KINGFISHER STORY: Once upon a time there was a king

He owned India’s biggest liquor company, a private jet, an Airbus and many other riches. Then in 2005, Vijay Mallya launched Kingfisher. Even before Kingfisher could be launched, the aviation industry had started bleeding. Crude oil prices were high, with fuel costs often making up half the operating costs of airlines. But Mallya announced his would be a premium, world-class airline. At its peak, Kingfisher Airlines was the second largest airline in India in terms of the number of passengers it carried.

As crude prices soared towards \$140 a barrel, the global aviation industry too was facing a crisis. For airlines in India, the hit was much harsher with taxes and levies topping oil prices. On top of that, the global financial crisis struck, growth started sliding and the aviation script went haywire. By 2009-10, Kingfisher Airlines had accumulated a debt of over Rs 7,000 crore.

That was also the year Kingfisher Airlines turned into a non-performing asset or a bad loan for banks. In November 2010, banks for the first time restructured Kingfisher’s debt. In 2012, Kingfisher Airlines was grounded, leaving its employees with unpaid salaries. The company had allegedly not deposited its employees’ provident fund to the government and had run losses in excess of Rs 4,000 crore in 2012-13. Its accumulated losses ran into Rs 16,023 crore, while its net worth fell to a negative Rs 12,919 crore at the end of March 2013.

As trouble mounted, Kingfisher Airlines was chased by the service tax department over non-payment of service tax of over Rs 115 crore. The department seized eight aircraft and helicopters of the company, including Mallya’s prized Airbus A319, which it now plans to auction. In February 2013, the airline’s flying permits were withdrawn.

United Bank of India was the first lender to declare Kingfisher and Mallya a ‘wilful defaulter’ in May 2014. The same year, the SBI too issued a notice to tag Kingfisher Airlines, Mallya and United Breweries Holdings as ‘wilful defaulters’. The SBI notice of August 19 has alleged diversion of funds by Kingfisher Airlines to UB Group of companies and other firms.

(Source: <http://indianexpress.com/article/india/india-news->

india/sunday-story-once-upon-a-time-there-was-a-king-vijay-mallya/)

Answer the questions below:

- a. Discuss the Kingfisher case in your own words. 4
- b. The case reveals certain systemic failures as well as some failures in policy regulations. What are they? 5
- c. How do you think these failures could have been removed or minimized? 5

OR

Q.5 Case Study 14

Q. 5 B. CASE: XYZ Ltd. – DIVERGENCE BETWEEN PRECEPTS AND PRACTICES

XYZ Ltd. is a global, pharma and bio-technology company that has grown up by leveraging two powerful trends- globalization and bio-technology. It is a listed pharma company in India. Various acquisitions have strengthened XYZ Ltd.'s position in the high-potential markets of the UK, Germany etc. Although the company says in its Code of Ethics that it will follow ethical practices, yet the following unethical practices are attributed to the company:

Non-compliance of US Food and Drug Administration (FDA) regulations in its manufacturing facility; Victimization of employees by dismissing more than 70 medical representatives because of declining sales and unachievable sales targets. Low wages as well as poor working conditions prevailed in the organization. Unfair trade and marketing practices were indulged by the management.

Companies like XYZ Ltd. reveals the divergence that exists between precept and practices. Unethical companies tend to use 'Code of ethics' as a mask to show a humane face to the outside world. (Source: 'Business Ethics-An Indian Perspective' by A C Fernando)

Answer the questions mentioned below:

- a. Discuss the business philosophy of XYZ Ltd. 4
- b. Enlist the unethical practices done by XYZ Ltd. 4
- c. Imagine that XYZ Ltd., was issued a notice by the Indian regulator for a change of the present CEO in order to revive the company from unethical practices. Imagine that you are the new CEO. What strategies would you implement to bring back the rapport of the company. 6
