

GROUP - 1

PAPER 5 – PART D [15 M]

BUSINESS ETHICS

SL NO	CHAPTER NAME	STARTING PAGE NO.
1	BUSINESS ETHICS	2

“APPLICABLE FROM JULY 2023 EXAM ONWARDS”

BUSINESS ETHICS

- Business is an extension of the society and no business can sustain in the long run ignoring social values.
- Individual values percolate into society and turn into social values, which in turn are adopted by corporates and become corporate values.
- Corporate ethics, therefore, is choosing, adopting and practicing good things and avoiding bad things.
- Right and wrong varies from company to company but there are some virtues and values which are universally accepted.

Q.NO.1. DEFINE ETHICS. STATE DIFFERENT TYPES OF ETHICS?

ANSWER:

A. MEANING OF ETHICS:

1. Ethics is a set of rules that define right and wrong conduct. The term 'ethics' derived from Latin word 'ethos' which means character.
2. Ethics is a social science which deals with concepts such as right and wrong, moral and immoral, good and bad behavior of dealing with one another.
3. Ethics is the basic concepts and fundamental principles of decent human conduct.
4. It includes the study of universal values such as the essential quality of all men and women, human or natural rights, obedience to the law of land, concern for health and safety and increasingly, also for the natural environment.
5. Ethics are the set of moral principles that guide a person's behavior. These morals are shaped by social norms, cultural practices, and religious influences.
6. Ethics reflect beliefs about what is right, what is wrong, what is just, what is unjust, what is good, and what is bad in terms of human behavior. They serve as a compass to direct how people should behave toward each other, understand and fulfill their obligations to society, and live their lives.
7. While ethical beliefs are held by individuals, they can also be reflected in the values, practices, and policies that shape the choices made by decision makers on behalf of their organizations.
8. The phrases 'business ethics and corporate ethics' are often used to describe the application of ethical values to business activities. Ethics applies to all aspects of conduct and is relevant to the actions of individuals, groups, and organizations.
9. In addition to individual ethics and corporate ethics there are professional ethics. Professionals such as managers, lawyers, and accountants are individuals who exercise specialized knowledge and skills when providing services to customers or to the public. By virtue of their profession, they have obligations to those they serve.

For example, lawyers must hold client conversations confidential and accountants must display the highest levels of honest and integrity in their record keeping and financial analysis. Professional organizations, such as the American Medical Association, and licensing authorities, such as state governments, set and enforce ethical standards.

B. Type of ethics

Ethics may be divided into three types as follows:

- a) **Meta ethics** deal with the nature of moral judgment. It looks at the origins and meanings of ethical principles.
- b) **Normative ethics** is concerned with the content of moral judgments and the criteria for what is right or wrong.
- c) **Applied ethics** looks at controversial topics like war, animal rights and capital punishment.

Q.NO.2. STATE THE IMPORTANCE OF ETHICS IN HUMAN LIFE?

ANSWER:

IMPORTANCE OF ETHICS

- 1) Ethics is a requirement for human life. It is our means of deciding a course of action. Without it, our actions would be random and aimless.
- 2) Even with an ethical standard, we may be unable to pursue our goals with the possibility of success.
- 3) To the degree which a rational ethical standard is taken, we are able to correctly organize our goals and actions to accomplish our most important values.
- 4) Any flaw in our ethics will reduce our ability to be successful in our endeavors.
- 5) A proper foundation of ethics requires a standard of value to which all goals and actions can be compared to. This standard is our own lives, and the happiness which makes them livable. This is our ultimate standard of value, the goal in which an ethical man must always aim.
- 6) A system of ethics must further consist of not only emergency situations, but the day-to-day choices we make constantly.
- 7) It must include our relations to others and recognize their importance not only to our physical survival, but to our well-being and happiness. It must recognize that our lives are an end in themselves, and that sacrifice is not only not necessary, but destructive.

Q.NO.3. STATE THE NATURE OF ETHICS ITS RELEVANCE IN THE BUSINESS?

ANSWER:

NATURE AND RELEVANCE OF ETHICS TO THE BUSINESS

- 1) Several factors play a role in the success of a company that is beyond the scope of financial statements alone.

- 2) Organizational culture, management philosophy and ethics in business each have an impact on how well a business performs in the long term.
- 3) No matter the size, industry or level of profitability of an organization, business ethics are one of the most important aspects of long-term success.
- 4) The management team sets the tone for how the entire company runs on a day-to-day basis.
- 5) Building on a foundation of ethical behavior helps create long lasting positive effects for a company, including the ability to attract and retain highly talented individuals and building and maintaining a positive reputation within the community.
- 6) Running a business in an ethical manner from the top down builds a stronger bond between individuals on the management team, further creating stability within the company.
- 7) When management is leading an organization in an ethical manner, employees follow in those footsteps.
- 8) Employees make better decisions in less time with business ethics as a guiding principle; this increases productivity and overall employee morale.
- 9) When employees complete work in a way that is based on honesty and integrity, the whole organization benefits.
- 10) Employees who work for a corporation that demands a high standard of business ethics in all facets of operations are more likely to perform their job duties at a higher level and are also more inclined to stay loyal to that organization.
- 11) The importance of business ethics reaches far beyond employee loyalty and morale or the strength of a management team bond.
- 12) As with all business initiatives, the ethical operation of a company is directly related to profitability in both the short and long term.
- 13) The reputation of a business from the surrounding community, other businesses and individual investors is paramount in determining whether a company is a worthwhile investment.
- 14) If a company's reputation is less than perfect based on the perception that it does not operate ethically, investors are less inclined to buy stock or otherwise support its operations.
- 15) With consistent ethical behavior comes increasingly positive public image, and there are few other considerations as important to potential investors and current shareholders.
- 16) To retain a positive image, businesses must be committed to operating on an ethical foundation as it relates to treatment of employees, respect to the surrounding environment and fair market practices in terms of price and consumer treatment, business ethics is an applied ethics

Q.NO.4. STATE THE SEVEN PRINCIPLES OF PUBLIC LIFE?**ANSWER:****A. INTRODUCTION**

1. The Seven Principles of Public Life were set out by Lord Nolan for the first time in the year 1995. These principles of public life will apply to anyone who works as a public office holder, including elected and appointed to public office either locally or nationally.
2. These principles apply to civil service, local government, the police, the Courts and probation of services, non-departmental public bodies, health, education, social care services.
3. These principles also apply to other sector that delivers public services.
4. The British Government appointed a committee called as Committee on Standards in Public Life to advise the Prime Minister on ethical standards of public life. The Committee was established in October 1994. The term of reference to the committee is –
 - to examine current concerns about standards of conduct of all holders of public office, including arrangements relating to financial and commercial activities; and
 - to make recommendations as to any changes in present arrangements which might be required to ensure the highest standards of propriety in public life.

B. SEVEN PRINCIPLES OF ETHICS

The Committee submitted its first report in the year 1995 containing the seven principles of public life. The said principles have been amended over year. The seven principles of public life as amended up to and as on 2015 are as follows-

1. **Selflessness** – Holders of public office should act solely in terms of the public interest.
2. **Integrity** - Holders of public office must avoid placing themselves under any obligation to people or organizations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
3. **Objectivity** - Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
4. **Accountability** - Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
5. **Openness** - Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
6. **Honesty** - Holders of public office should be truthful

- 7. Leadership** - Holders of public office should exhibit these principles in their own behavior. They should actively promote and robustly support the principles and be willing to challenge poor behavior wherever it occurs.

Q.NO.5. DISCUSS THE RELATIONSHIP BETWEEN ETHICS AND LAW:

ANSWER:

RELATIONSHIP BETWEEN ETHICS AND LAW:

1. Laws and ethics both serve similar purposes of guiding human conduct to make it conducive to civilized social existence. They enforce a sense of right and wrong.
2. Laws refer to the set of codified norms which are enforced by the state. They act as external obligations. On the other hand, ethics refer to the set of norms which guide our internal compass and judgements.
3. While laws apply uniformly to all, ethics can vary from person to person, and they change more frequently than laws.
4. In case of a breach of law, the state is within its right to punish. Hence, they work as a medium of retributive justice. On the other hand, ethics are generally not enforceable.
5. The relationship between laws and ethics is a complex one. Many laws are representative of ethics of the time and have been shaped by what is considered ethical. The idea that everyone is equal before law is derived from the value that human is born equal. At the same time, laws have shaped ethics. They have been used to counter regressive doctrines.
6. From the above we can say that laws alone are not enough to promote ethical behaviour. Laws can never be so exhaustive to cover each and every scenario possible. Hence, there will always be scope for discretion. In such scenarios, ethical behaviour should come from within.
7. There are many scenarios where laws cannot exist, as we cannot have strict laws to scrutinize every small act of corruption. Even with laws, some unethical practices continue to exist such as violence against women. Laws and ethics are equally important and go hand in hand.

Q.NO.6 DISCUSS BUSINESS ETHICS AND ITS RELEVANCE TO BUSINESS?

ANSWER:

BUSINESS ETHICS AND ITS RELEVANCE TO BUSINESS:

A business code of ethics is a body of policies based on laws and values that a company wants all employees to adhere to. Different types of industries have differing regulatory requirements that partially govern a company's code of ethics. All companies can set their own value-based policies as part of the company brand. Use examples of code of ethics to assist when creating your policies.

A. Promoting Green Business Practices

1. Another value-based code of ethics topic is promoting green and environmentally sounds business practices.
2. This often includes limiting paper consumption but also has to do with recycling, waste disposal and the types of products a company uses to reduce its carbon footprint.
3. That same cleaning company could require that all products follow specific environmental standards of safety for people, pets and the environment

B. Obeying the Law

1. Obeying the law is a code of ethics subject that seems as if you shouldn't need to state it.
2. However, finding out that employees have broken the law either during or after work can affect a company's brand.

Example: A flower shop might require that all delivery drivers maintain a clean driving record. If an employee gets a DUI after work, this could affect his ability to do his job, even though the activity wasn't during his shift but this is a necessary part of the code of ethics

C. Caring and Consideration Policies

1. Consumers often feel that businesses are just in it for the money and a quick sale. They are inundated with sales pitches all day long.
2. As part of its code of ethics, your company could establish that employees conduct business in a caring, considerate manner. Think about a home-care provider who is working with senior citizens and their loved ones; treating the patient and family in a way that demonstrates care can greatly increase the ability to get new clients.
3. This type of value-based code of ethics is a topic that employers should explain clearly in the document and to train employees as to what the expectations are for being a caring, considerate employee.

D. Confidentiality and Privacy Policies

1. In recent years, many companies and agencies have fallen prey to hackers stealing client information or proprietary data.
2. One code of ethics section can require that employees maintain confidentiality when handling customers' personal or private information.
3. Also include a similar policy that relates to the company secrets.
4. Privacy policies are more than something you should do as a business owner, they are now regulated and required by law when any company collects personal and private information.
5. Train employees on best practices to keep personal information out of the hands of the bad guys.

E. Professional Appearance Policies

1. Your company may have a dress code or dress policy.
2. This could include a uniform shirt for service providers, a suit and tie for account representative or business casual for Fridays.
3. What a person wears is part of the value based code of ethics section.
4. You could also state that you want employees' clothing to be clean and pressed; a cleaning service coming into someone's home appears more professional when the employees show up wearing company shirts that are clean and wrinkle-free.

Q.NO.7 DISCUSS VALUES AND ATTITUDES OF PROFESSIONAL ACCOUNTANTS?

ANSWER:

A. VALUES AND ATTITUDES OF PROFESSIONAL ACCOUNTANTS

1. Role of Professional Accountant in Business:

- a. The roles, professional accountants take on a vast array of other roles in businesses of all sorts including in the public sector, not-for-profit sector, regulatory or professional bodies, and academia.
- b. Their wide ranging work and experience find commonality in one aspect – their knowledge of accounting.
- c. As such, professional accountants in businesses therefore have the task of defending the quality of financial reporting right at the source where the numbers and figures are produced besides the cost accounting.
- d. Like their counterparts in taxation or auditing, professional accountants in business play important roles that contribute to the overall stability and progress of society.
- e. Without public understanding of all these diverging roles and responsibilities of different accounting specialists working in business, public perceptions of their value may be misinformed.
- f. A competent professional accountant in business is an invaluable asset to the company. These individuals employ an inquiring mind to their work founded on the basis of their knowledge of the company's financials.
- g. Using their skills and intimate understanding of the company and the environment in which it operates, professional accountants in business ask challenging questions. Their training in accounting enables them to adopt a pragmatic and objective approach to solving issues.
- h. This is a valuable asset to management, particularly in small and medium enterprises where the professional accountants are often the only professionally qualified members of staff.

2. Cost management:

- a. Cost management is an activity of managers related to planning and control of costs. Managers have to take decisions regarding use of materials, processes, product designs and have to plan costs or expenses to support the operating plan for their department or section.
- b. All these activities come under cost management. Information from accounting systems help managers in cost management activities.
- c. But the cost accounting system and the reports it generates is not the cost management system. Accounting system can be interpreted as a part of cost management system of an organization.
- d. Cost management is not cost reduction alone. It is much broader. Organization increase advertising expenditure to increase sales, increase research and development expenditures to promote new products.
- e. Here the concerned managers are deliberately incurring additional costs in a period (compared to the previous period) as they expect profits from such decisions or expenditures. Cost management system has to ensure that a cost is incurred with the expectation of profit.

B. ROLE OF MANAGEMENT ACCOUNTING:

The role of management accounting is also described as problem solving, score keeping and attention directing.

1. **Problem solving:** The role of accounting in problem solving is to provide information useful in evaluating alternatives.
2. **Scorekeeping:** Scorekeeping records the results of various actions of the managers and helps in assessing whether the results expected from the various actions are realized or not.
3. **Attention directing:** The scorekeeping function in combination with expected results, and comparative analysis of scores of various companies, divisions and departments, comparative analysis of present period scores or results with previous periods show opportunities of focusing attention of managers to improve things.

Q.NO.8 DISCUSS VALUE CHAIN AND ITS ELEMENTS?

ANSWER:

A. VALUE CHAIN:

1. Value chain is a visualization of complete business as a sequence of activities in which usefulness is added to the products or services produced and sold by an organization.
2. Management accountants provide decision support for managers in each activity of value chain.

3. The design of management accounting system has to take into consideration the decision needs of the managers.
4. Also it has to take into consideration the new themes and challenges that manager's face currently.

B. VALUE CHAIN ELEMENTS:

1. **Customer focus:** The challenge for managers is to invest sufficient resources to enhance customer satisfaction. But every action of the organization has to result in enhanced profitability or maintained profitability for the organization.
2. **Key Success Factors:** These are nonfinancial factors which have an effect on the economic viability of the organization. Cost, quality, time and innovation are important key success factors. Management accounting systems need to have provisions for tracking the performance of the organization and its divisions as well as competitors on these success factors.
3. **Continuous improvement:** Continuous improvement or kaizen is a popular theme. Innovation related to this area in costing is kaizen costing.
4. **Value Chain and Supply Chain Analysis:** Value chain as a strategic framework for analysis of competitive advantage was promoted by Michael Porter. Management accountants have to become familiar with the framework and provide information to implement the framework by strategic planners.

- C. **PROFESSIONAL ETHICS:** Like other professionals, accountants also face ethical dilemmas. They need ethical guidelines. Competence, confidentiality, integrity and objectivity shall be the important themes of the guidance note.

Q.NO.9. DISCUSS MISSION STATEMENT OF ICAI:

ANSWER:

MISSION STATEMENT OF ICAI:

The Cost and Management Accountant professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting.

The Institute has promulgated the following standards of ethical conduct for practitioners-

1. Maintain at all times independence of thought and action;
2. Not to express an opinion on cost / financial reports or statements without first assessing her or his relationship with her or his client to determine whether such Member might expect her or his opinion to be considered independent, objective and unbiased by one who has knowledge of all the facts; and

3. When preparing cost / financial reports or statements or expressing an opinion on cost / financial reports or statements, disclose all material facts known to such Member in order not to make such cost / financial reports or statements misleading, acquire sufficient information to warrant an expression of opinion and report all material misstatements or departures from generally accepted accounting principles.
4. Not to disclose or use any confidential information concerning the affairs of such Member's employer or client unless acting in the course of his or her duties or except when such information is required to be disclosed in the course of any defense of himself or herself or any associate or employee in any lawsuit or other legal proceeding or against alleged professional misconduct by order of lawful authority or any committee of the Society in the proper exercise of their duties but only to the extent necessary for such purpose;
5. Inform his or her employer or client of any business connections or interests of which such Member's employer or client would reasonably expect to be informed;
6. Not, in the course of exercising his or her duties on behalf of such Member's employer or client, hold, receive, bargain for or acquire any fee, remuneration or benefit without such employer's or client's knowledge and consent; and
7. Take all reasonable steps, in arranging any engagement as a consultant, to establish a clear understanding of the scope and objectives of the work before it is commenced and will furnish the client with an estimate of cost, preferably before the engagement is commenced, but in any event as soon as possible thereafter.
8. Conduct himself or herself toward other Members with courtesy and good faith;
9. Not to accept any engagement to review the work of another Member for the same employer except with the knowledge of that Member, or except where the connection of that Member with the work has been terminated, unless the Member reviews the work of others as a normal part of his or her responsibilities;
10. Not to attempt to gain an advantage over other Members by paying or accepting a commission in securing management accounting work;
11. Not to act maliciously or in any other way which may adversely reflect on the public or professional reputation or business of another Member;
12. At all times maintain the standards of competence expressed by the Institute from time to time;
13. Undertake only such work as he or she is competent to perform by virtue of his or her training and experience and will, where it would be in the best interests of an employer or client, engage, or advise the employer or client to engage, other specialists;

Q.NO.10. DISCUSS PRIMARY NORMS OF BUSINESS ETHICS**ANSWER:****PRIMARY NORMS OF BUSINESS ETHICS:**

There are many kinds of business ethics. These may include personal responsibility, corporate responsibility, loyalty, respect, trustworthiness, fairness, community and environmental responsibility.

1. Personal responsibility:

- a. Each person who works for a business, whether on the executive level or the entry-level, will be expected to show personal responsibility.
- b. This could mean completing tasks your manager has assigned to you, or simply fulfilling the duties of your job description.
- c. If you make a mistake, you acknowledge your fault and do whatever you need to do to fix it.

2. Corporate responsibility:

- a. Businesses have responsibilities to their employees, their clients or customers, and, in some cases, to their board of directors.
- b. Some of these may be contractual or legal obligations, others may be promises
Example: To conduct business fairly and to treat people with dignity and respect. Whatever those obligations are, the business has a responsibility to keep them.

3. Loyalty:

- a. Both businesses and their employees are expected to show loyalty. Employees should be loyal to their co-workers, managers, and the company.
- b. This might involve speaking positively about the business in public and only addressing personnel or corporate issues in private.
- c. Customer or client loyalty is important to a company not only to maintain good business relations but also to attract business through a good reputation.

4. Respect:

- a. Respect is an important business ethic, both in the way the business treats its clients, customers and employees, and also in the way its employees treat one another.
- b. When you show respect to someone, that person feels like a valued member of the team or an important customer.
- c. You care about their opinions, you keep your promises to them, and you work quickly to resolve any issues they may have.

5. Trustworthiness:

- a. A business cultivates trustworthiness with its clients, customers and employees through honesty, transparency and reliability.
- b. Employees should feel they can trust the business to keep to the terms of their employment. Clients and customers should be able to trust the business with their money, data, contractual obligations and confidential information.
- c. Being trustworthy encourages people to do business with you and helps you maintain a positive reputation.

6. Fairness:

- a. When a business exercises fairness, it applies the same standards for all employees regardless of rank.
- b. The same expectations with regard to honesty, integrity and responsibility placed upon the entry-level employee also apply to the CEO.
- c. The business will treat its customers with equal respect, offering the same goods and services to all based on the same terms.

7. Community and Environmental Responsibility:

- a. Not only will businesses act ethically toward their clients, customers and employees, but also with regard to the community and the environment.
- b. Many companies look for ways to give back to their communities through volunteer work or financial investments.
- c. They will also adopt measures to reduce waste and promote a safe and healthy environment.

Q.NO.11. DISCUSS INTERNAL CODE OF ETHICS**ANSWER:****INTERNAL CODE OF ETHICS:**

1. A code of ethics in business is a set of guiding principles intended to ensure a business and its employees act with honesty and integrity in all facets of its day-to-day operations and to only engage in acts that promote a benefit to society.
2. All companies will have a different code of ethics with different areas of interest, based on the industry they are involved in, but the five areas that companies typically focus on include integrity, objectivity, professional competence, confidentiality, and professional behavior. Many firms and organizations have adopted a Code of Ethics.

According to the CFAI's website, Members of CFA Institute, including CFA, and candidates for the CFA designation must adhere to the following Code of Ethics:

- i) Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.
- ii) Place the integrity of the investment profession and the interests of clients above their own personal interests.
- iii) Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.
- iv) Practice and encourage others to practice professionally and ethically that will reflect credit on themselves and the profession.
- v) Promote the integrity and viability of the global capital markets for the ultimate benefit of society.
- vi) Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals.

Q.NO.12. DEFINE THE TERM BUSINESS ETHICS? DISCUSS ITS FEATURES, PRINCIPLES AND IMPORTANCE OF BUSINESS ETHICS

ANSWER:

A. Meaning:

Business ethics deals with morality in the business. It is a system of moral principles and values applied to business activities. This means the business activities should be conducted according to ethics or moral standard.

B. Definition:

Business ethics is an art or science of maintaining harmonious relationship with society, its various groups and institution as well as reorganizing for right or wrong of business conduct.

C. Features of Business Ethics:

1. Code of conduct;
2. Provide protection to social group;
3. Provide basic frame work;
4. Need willing acceptance;
5. Education and guidance;
6. Not against for profit making.

D. Principles of Business Ethics:

1. Avoid exploitation of consumers;
2. Avoid unfair trade practices;
3. Fair treatment to employees.

E. Seven Principles in Business Ethics:

Business ethics is defined as written unwritten codes of principles and values that govern decisions and actions within a company. Seven principles in business ethics are-

1. Be trustful;
2. Be keep open mind;
3. Meet obligations;
4. Have clear documents;
5. Become community involved;
6. Maintain accounting control;
7. Be respectful

Q.NO.13. DISCUSS SCOPE AND AREAS OF BUSINESS ETHICS**ANSWER:**

1. Wrong doing by businesses has focused public attention and government involvement to encourage more acceptable business conduct.
2. Any business decision may be judged as right or wrong, ethical or unethical, legal or illegal. Business ethics is the principles and standards that determine acceptable conduct in business organizations.
3. The acceptability of behavior in business is determined by customers, competitors, government regulators, interest groups, and the public, as well as each individual's personal moral principles and values.
4. Many consumers and social advocates believe that businesses should not only make a profit but also consider the social implications of their activities.
5. We define social responsibility as a business's obligation to maximize its positive impact and minimize its negative impact on society.
6. Although many people use the terms social responsibility and ethics interchangeably, they do not mean the same thing.
7. Business ethics relates to an individual's or a work group's decisions that society evaluates as right or wrong, whereas social responsibility is a broader concept that concerns the impact of the entire business's activities on society.
8. From an ethical perspective, for example, we may be concerned about a health care organization or practitioner overcharging the provincial government for medical services.
9. From a social responsibility perspective, we might be concerned about the impact that this overcharging will have on the ability of the health care system to provide adequate services for all citizens.

Areas in Business Ethics:

1. Corporate Social Responsibility;
2. Fiduciary responsibility to stake holders;
3. Industrial espionage.

Ethical behavior and corporate social responsibility can bring significant benefits to a business.

For Example, they may

1. Attract customers to the firm's products, which means boosting sales and profits
2. Make employees want to stay with the business, reduce labour turnover and therefore increase productivity
3. Attract more employees wanting to work for the business, reduce recruitment costs and enable the company to get the most talented employees
4. Attract investors and keep the company's share price high, thereby protecting the business from takeover.

Q.NO.14. DISCUSS ETHICS IN BUSINESS DEALINGS**ANSWER:**

1. Knowing that the company, they deal with, has stated their morals and made a promise to work in an ethical and responsible manner allows investors' peace of mind that their money is being used in a way that arranges with their own moral standing.
2. When working for a company with strong business ethics, employees are comfortable in the knowledge that they are not by their own action allowing unethical practices to continue.
3. Customers are at ease buying products or services from a company they know to source their materials and labor in an ethical and responsible way.
4. A company which sets out to work within its own ethical guidelines is also less at risk of being fined for poor behavior, and less likely to find themselves in breach of one of a large number of laws concerning required behavior.
5. Reputation is one of a company's most important assets, and one of the most difficult to rebuild should it be lost.
6. Maintaining the promises it has made is crucial to maintaining that reputation. Businesses not following any kind of ethical code or carrying out their social responsibility leads to wider consequences.
7. Unethical behavior may damage a firm's reputation and make it less appealing to stakeholders. This means that profits could fall as a result. The natural world can be affected by a lack of business ethics.
8. For example, a business which does not show care for where it disposes its waste products, or fails to take a long-term view when buying up land for development, is damaging the world in which every human being lives, and damaging the future prospects of all companies.

Q.NO.15. DISCUSS EMERGING ISSUES IN BUSINESS ETHICS**ANSWER:****Emerging Issues in Business Ethics:**

1. The business is suffering and troubles by lack of proper directions and is struck on issues like logic, reasons etc.
2. The issues like fairness, justice and honesty are the main issues that are posing complex dilemma to the businesses.
3. A wrong or biased decision can have a profound impact on the goodwill of the company as well as its market position.

Q.NO.16. WHAT ARE THE GENERAL BUSINESS ETHICS**ANSWER:****General Business Ethics:**

1. Ethics of human resource management;
2. Ethics of sales and marketing;
3. Ethics of production;
4. Ethics of Intellectual property, knowledge and skills;

Q.NO.17. WHAT ARE THE COMMON UNETHICAL PRACTICES ATTEMPTED BY EXECUTIVES OF A CORPORATE**ANSWER:****Common Unethical Practices by Executives of a Corporate:**

1. Corruption - financial/non-financial
2. Greed for profit/turnover
3. Accommodating a group, may be employees, vendors, customers.
4. Leak of knowledge
5. Leak of professionalism
6. External pressure
7. Ego and dominance of top management ignoring right things

Q.NO.18. DISCUSS THE IMPORTANCE OF BUSINESS ETHICS**ANSWER:****Importance of Business Ethics:**

1. Public expects business to exhibit high levels of ethical performance and social responsibility;
2. Encouraging business firms and their employees to behave ethically is to prevent harm to society;
3. Promoting ethical behavior is to protect business from abuse by unethical employees or unethical competitors;

4. High ethical performance also protects the individuals who work in business.
5. Improving consumer confidence
6. Business become conscious of social responsibilities;
7. Create good image of business;
8. Goodwill;
9. Profitability;
10. Survival of heated competition
11. Safety from legal perspectives

Q.NO.19. DISCUSS THE NEED FOR BUSINESS ETHICS IN BUSINESS DEALINGS

ANSWER:

Need for Business Ethics:

The following points discuss the need and importance of business ethics-

1. To stop business malpractice –

- a. Some unscrupulous businessmen do business malpractices by indulging in unfair trade practices like blackmarketing, artificial high pricing, adulteration, cheating in weights and measures, selling of duplicate and harmful products, hoarding, false claims of representations about their products etc.,
- b. These business malpractices are harmful to the consumers. Business ethics help to stop these business malpractices.

2. To improve customers' confidence –

- a. Business ethics are needed to improve the customers' confidence about the quality, quantity, price etc., of the products.
- b. The customers have more trust and confidence in the businessmen who follow ethical rules. They feel that such businessmen will not cheat them.

3. For the survival of the business –

- a. Business ethics are mandatory for the survival of business. The businessmen who do not follow it will have short term success, but they will fail in the long run. This is because they can cheat a consumer only once.
- b. After that, the consumer will not buy goods from that businessman. He will also tell others not to buy from that businessman. So this will defame his image and provoke a negative publicity.
- c. This will result in failure of the business. Therefore, if the businessmen do not follow ethical rules, he will fail in the market. So, it is always better to follow appropriate code of conduct to survive in the market.

4. To safeguard consumers' right –

- a. Consumer sovereignty cannot be either ruled out or denied. Business can survive so long it enjoys the patronage of consumer.

- b. The consumer has many rights such as right to health and safety, right to be informed, right to choose, right to be heard, right to redress, etc.,
- c. But many businessmen do not respect and protect these rights. Business ethics must safeguard these rights of the consumers.

5. To protect employees and shareholders –

- a. Business ethics are required to protect the interest of employees, shareholders, competitors, dealers, suppliers etc.,
- b. It protects them from exploitation through unfair trade practices.

6. To develop good relations –

- a. Business ethics are important to develop good and friendly relations between business and society.
- b. This will result in a regular supply of good quality goods and services at low prices to the society. It will also result in profits for the businesses thereby resulting in growth of economy.

7. For smooth functioning -

- a. If the business follows all the business ethics, then the employees, shareholders, consumers, dealers and suppliers will all be happy. So they will give full cooperation to the business.
- b. This will result in smooth functioning of the business. So, the business will grow, expand and diversify easily and quickly. It will have more sales and more profits.

8. Consumer movement -

- a. Business ethics are gaining importance because of the growth of the consumer movement.
- b. Gone are the days when the consumer can be taken for ride by the unscrupulous business by their false propaganda and false claims, unfair trade practices.
- c. Today, the consumers are aware of their rights and well informed as well as well organized. Now they are more organized and hence cannot be cheated easily. They take actions against those businessmen who indulge in bad business practices.
- d. They boycott poor quality, harmful, high priced and counterfeit goods. Therefore, the only way to survive in business is to be honest and fair. Consumer fora and consumer associations are more active and vocal now.

9. Consumer satisfaction –

- a. Today the consumer is the king of the market. Any business simply cannot survive without the consumers.
- b. Therefore, the main aim or objective of business is consumer satisfaction. If the consumer is not satisfied, then there will be no sales and thus no profits too.
- c. Consumers will be satisfied only if the business follows all the business ethics and hence are highly needed.

10. Importance of labor –

- a. Labor, i.e., employees or workers play a very crucial role in the success of a business. Therefore, business must use business ethics while dealing with the employees.
- b. The business must give them proper wages and salaries and provide them with better working conditions.
- c. There must be good relations between employer and employees. The employees must also be given proper welfare facilities.

11. Healthy competition –

- a. The business must use business ethics while dealing with the competitors. They must have healthy competition with the competitors.
- b. Healthy competition brings about efficiency, breaks complacency and leads to optical utilization of scarce resources, hence is always welcome.
- c. They must not do cut- throat competition. Similarly, they must give equal opportunities to small scale business. They must avoid monopoly. This is because a monopoly is harmful to the consumers.

Q.NO.20. WHAT ARE THE ADVANTAGES OF BUSINESS ETHICS?**ANSWER:****Advantages of Business Ethics:**

The following are the advantages for following the principles of business ethics-

1. It offers a company a competitive advantage;
2. Goodwill of the firm hikes depending on its responds towards its ethical issues;
3. Productivity through rigid, firm and sincere workers as well as other business chain members;
4. Through increasing morale and trust business can increase their market share;
5. Publicity due to well and ethical performance;
6. Acceptance of products of the company by the public;
7. Overall growth of the society;
8. Makes change management easy;
9. Value integration with quality and strategy;

Q.NO.21. WHAT ARE THE ADVANTAGES OF BUSINESS ETHICS?**ANSWER:****RECOGNITION OF ETHICAL ISSUES IN BUSINESS:**

1. Learning to recognize ethical issues is the most important step in understanding business ethics.
2. An ethical issue is an identifiable problem, situation, or opportunity that requires person to choose from among several actions that may be evaluated as right or wrong, ethical or unethical.

3. In business, such a choice often involves weighing monetary profit against what a person considers appropriate conduct.
4. The best way to judge the ethics of a decision is to look at a situation from a customer's or competitor's viewpoint.
5. Many business issues may seem straightforward and easy to resolve, but in reality, a person often needs several years of experience in business to understand what is acceptable or ethical.
6. Ethics are also related to the culture in which a business operates.

Q.NO.22. HOW CAN WE IMPROVE ETHICAL BEHAVIOUR IN BUSINESS

ANSWER:

A. Business Relationship:

The behavior of business persons toward customers, suppliers, and others in their workplace may also generate ethical concerns. Ethical behavior within a business involves keeping company secrets, meeting obligations and responsibilities, and avoiding undue pressure that may force others to act unethically.

B. IMPROVING ETHICAL BEHAVIOR IN BUSINESS:

1. Understanding how people make ethical choices and what prompts a person to act unethically may reverse the current trend toward unethical behavior in business.
2. Ethical decisions in an organization are influenced by 3 key factors: individual moral standards, the influence of managers and coworkers, and the opportunity to engage in misconduct.
3. It is difficult for employees to determine what conduct is acceptable within a company if the firm does not have ethics policies and standards. And without such policies and standards, employees may base decisions on how their peers and superiors behave.
4. Professional codes of ethics are formalized rules and standards that describe what a company expects of its employees.
5. Codes of ethics, policies on ethics, and ethics training programs advance ethical behavior because they prescribe which activities are acceptable and which are not, and they limit the opportunity for misconduct by providing punishments for violations of the rules and standards.
6. The enforcement of such codes and policies through rewards and punishments increases the acceptance of ethical standards by employees.

Q.NO.23. WHAT IS EMOTIONAL INTELLIGENCE?**EMOTIONAL INTELLIGENCE:****A. Meaning:**

1. Emotional intelligence also known as emotional quotient or EQ, is the ability to understand, use, and manage your own emotions in positive ways to relieve stress, communicate effectively, empathize with others, overcome challenges and defuse conflict.
2. Emotional intelligence helps you build stronger relationships, succeed at school and work, and achieve your career and personal goals.
3. It can also help you to connect with your feelings, turn intention into action, and make informed decisions about what matters most to you.

B. Emotional Intelligence is commonly defined by four attributes

1. **Self-management** – You're able to control impulsive feelings and behaviors, manage your emotions in healthy ways, take initiative, follow through on commitments, and adapt to changing circumstances.
2. **Self-awareness** – You recognize your own emotions and how they affect your thoughts and behavior. You know your strengths and weaknesses, and have self-confidence.
3. **Social awareness** – You have empathy. You can understand the emotions, needs, and concerns of other people, pick up on emotional cues, feel comfortable socially, and recognize the power dynamics in a group or organization.
4. **Relationship management** – You know how to develop and maintain good relationships, communicate clearly, inspire and influence others, work well in a team, and manage conflict.

Q.NO.24. WHY IS EMOTIONAL INTELLIGENCE SO IMPORTANT? STATE THE EFFECTS OF EMOTIONAL INTELLIGENCE**ANSWER:****A. IMPORATNCE OF EMOTIONAL INTELLIGENCE**

1. As we know, it's not the smartest people who are the most successful or the most fulfilled in life.
2. You probably know people who are academically brilliant and yet are socially inept and unsuccessful at work or in their personal relationships.
3. Intellectual ability or your intelligence quotient (IQ) isn't enough on its own to achieve success in life.
4. Yes, your IQ can help you get into college, but it's your EQ that will help you manage the stress and emotions when facing your final exams.
5. IQ and EQ exist in tandem and are most effective when they build off one another.

B. Effects of Emotional Intelligence: Emotional Intelligence affects**1. Performance at school or work:**

- a. High emotional intelligence can help you navigate the social complexities of the workplace, lead and motivate others, and excel in your career.
- b. In fact, when it comes to gauging important job candidates, many companies now rate emotional intelligence as important as technical ability and employ EQ testing before hiring.

2. Physical health:

- a. If you're unable to manage your emotions, you are probably not managing your stress either. This can lead to serious health problems.
- b. Uncontrolled stress raises blood pressure, suppresses the immune system, increases the risk of heart attacks and strokes, contributes to infertility, and speeds up the aging process.
- c. The first step to improving emotional intelligence is to learn how to manage stress.

3. Mental Health:

- a. Uncontrolled emotions and stress can also impact your mental health, making you vulnerable to anxiety and depression.
- b. If you are unable to understand, get comfortable with, or manage your emotions, you'll also struggle to form strong relationships.
- c. This in turn can leave you feeling lonely and isolated and further exacerbate any mental health problems.

4. Relationships:

- a. By understanding your emotions and how to control them, you're better able to express how you feel and understand how others are feeling.
- b. This allows you to communicate more effectively and forge stronger relationships, both at work and in your personal life.

CASE STUDY ON BUSINESS ETHICS:

Wells Fargo was a well-known name in the banking industry in the United States of America, with high returns on its equity and rising stock prices. Among their major goals, the company enlisted sale of its various products to its existing customers for more revenues. In September 2016, it came to light that the pressure on employees to hit sales quotas was immense such as hourly tracking, pressure from supervisors to engage in unethical behavior, and a compensation system based heavily on bonuses and commissions proportionate to the sales made. It came to be known that Wells Fargo had fired over 5,300 employees over the past few years related to questionable sales practices. However, the

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CEO John Stumpf tried to clarify by claiming that the scandal was the result of a few bad employees who did not honor the company's values and that there were no incentives to commit unethical behavior.

Further disclosures and reporting found more troubling information. Many employees had quit under the immense pressure to engage in unethical sales practices, and some were even fired for reporting misconduct through the company's ethics hotline. Senior leadership was aware of these aggressive sales practices as far back as 2004, with incidents as far back as 2002 identified.

The Board of Directors commissioned an independent investigation that identified cultural, structural, and leadership issues as root causes of the improper sales practices. The report cites: the wayward sales culture and performance management system; the decentralized corporate structure that gave too much autonomy to the division's leaders; and the unwillingness of leadership to evaluate the sales model, given its longtime success for the company.

What steps can leaders take to design systems that encourage ethical behavior rather than unethical behavior?

What behaviors can leaders model in order to encourage ethical behavior in their organization?

SUMMARY:

1. Business ethics is important to practice good ethical behavior.
2. One of the most formidable challenges is avoiding immoral management, and transitioning from an amoral to a moral management mode of leadership, behavior, decision making, policies and practices.
3. Moral management requires ethical leadership. It entails more than just 'not doing wrong'.
4. Moral management requires that managers search out of those vulnerable situations in which amorality may reign if careful, thoughtful reflection is not given by management.
5. Moral management requires that managers understand, and be sensitive to, all the stakeholders of the organization and their stakes.
6. If the moral management model is to be achieved, managers need to integrate ethical wisdom with their managerial wisdom and take steps to create and sustain an ethical climate in their organizations.