ANSWERS OF IMPORTANT QUESTIONS OF ETHICS

ANSWER 1

Incorrect: Both 'ethics' and 'morals' deal with right and wrong conduct. But they are not same. Ethics deals with individual character which is a personal attribute. Ethics is the response of individual to a specific situation e.g. whether in this situation, it is ethical to state the truth. Morals deal with customs set by groups or some authority like religion. Morals are general principles e.g. you should speak truth.

ANSWER 2

(b) Safeguards in the work environment: Safeguards against threats faced by professional shall be to (i) Ensure an ethical environment, (ii) Increase the likelihood of identifying or deterring unethical behaviour and (iii) Eliminate or reduce threats to acceptable level.

The following safeguards may be created by a business enterprise in the work environment:

(i) The employing organisation's systems or corporate oversight or other oversight structures.
(ii) The employing organisation's ethics and conduct programmes.
(iii) Recruitment procedures in the employing organisation emphasizing the importance of employing high caliber competent staff
(iv) Strong internal controls
(v) Appropriate disciplinary process
(vi) Leadership that stresses the importance of ethical behaviour and expectation that employees will act in an ethical manner.
(vii) Policies and procedures to implement and monitor the quality of employee performance.
(viii) Timely communication of the employing organisation's policies and procedures, including any changes to them, to all employees and appropriate training and education on such policies and procedures.
(vi) Confront unethical behaviour: One must confront an unethical behaviour in order to ensure a consistent ethical view point.

ANSWER 3

The objectives of the Central Consumer Protection Council in India are to promote and protect the rights of the consumers such as:-

(i) the right to be protected against the marketing of goods and services which are hazardous to life and property;
(ii) the right to be informed about the quality, quantity, potency, purity, standard and price of goods/services so as to protect the consumer against unfair trade practices;
(iii) the right to be assured, whichever possible, access to a variety of goods and services at competitive prices;
(iv) the right to be heard and to be assured that consumers interest will receive due consideration at appropriate terms;
(v) the right to seek redressal against unfair trade practices;
(vi) the right to consumer education.
ANSWER 4

Ecological ethics is based on the idea that the environment should be protected not only for the sake of human beings but also for its own sake. The issue of environmental ethics goes beyond the problems relating to protection of environment or nature in terms of pollution, resource utilization or waste disposal.

Business and Industry are closely linked with environment and resource utilization. Production process and strategy for eco-friendly technologies throughout the product life cycle and minimization of waste play major role in protection the environment and conservation of resources. Business, Industry and multinational corporations have to recognize environmental management as the priority area and a key determinant to sustainable development. Sound management of wastes is among the major environmental issues for maintaining the quality of Earth’s environment and achieving sustainable development.

If the environmental costs are properly reflected in the prices paid for goods and services then companies and ultimately the consumer would adjust market behaviour in a way that would reduce damage to environment, pollution and waste production. Price signal will also influence behaviour to avoid exploitation or excessive utilization of natural resources. Such measures would facilitate the approach of “Polluter Pays Principle”. Removing subsidies that encourage environmental damage is another measure.

ANSWER 5

Corporate social responsibility and ecological damage: The business institution exists and flourishes only because it performs invaluable services to society. Society gives business its license to exist which may be revoked and amended at any time if they do not fulfill the society’s expectations. Therefore, if a business intends to retain its existing social role and power, it must serve society’s needs constructively.

A business organization acts in its own self interest and uses natural resources also. The effluents of many businesses damage the surrounding environment. By their own socially responsible behaviour, they can prevent government intervention if they are proactive in recognizing their ecological responsibility towards society.

Companies must recognize that a strategy for corporate responsibility can play a valuable role not only in meeting the challenges of globalization by mitigating risks domestically and internationally, but also in providing benefits beyond risk management.

ANSWER 6

Factors which influence the ethical behaviour at work- Ethical decisions in an organization are influenced by three key factors:
1. Individual moral standards: One may have great control over personal ethics outside workplace.
2. The influence of managers and co-workers: The activities and examples set by co-workers along with rules and policies established by the firm are critical in gaining consistent ethical compliance in an organization.
3. The opportunity to engage in misconduct: If a company fails to provide good examples and direction for appropriate conduct; confusion and conflict will develop and result in the opportunity for unethical behavior.

**ANSWER 7**

Corporate Governance: Simply stated, 'Governance' means the process of decision making and the process by which decisions are implemented. The term 'corporate governance' is understood and defined in various ways. Corporate governance can be defined as the formal system of accountability and control for ethical and socially responsible organisational decisions and use of resources and accountability relates to how well the content of workplace decisions is aligned with the organisations strategic direction. Control involves the process of auditing and improving organisation decisions and actions. Good corporate governance has the following major characteristics:

(i) Participatory
(ii) Consensus oriented
(iii) Accountable
(iv) Transparent
(v) Responsive
(vi) Effective and efficient
(vii) Equitable and inclusive and
(viii) Follows the rule of law.

**ANSWER 8**

Pragmatic reasons for maintaining ethical behaviour: Marketing executives should practice ethical behaviour because it is morally correct. To maintain ethical behaviour in marketing, the following positive reasons may be useful to the marketing executives:

1. To reverse declining public confidence in marketing: Sometime misleading package labels, false claim in advertisement, phony list prices, infringement of trademarks pervert the market trends and such behaviour damages the marketers’ reputation. To reverse this situation, business leaders must demonstrate convincingly that they are aware of their ethical responsibility and will fulfill it. Companies must set high ethical standards and enforce them.

Moreover, it is in management’s interest to be concerned with the well being of consumers, since they are the lifeblood of a business.

2. To avoid increase in government regulation: Business apathy, resistance, or token responses to unethical behaviour increase the probability of more governmental regulation. The governmental
limitations may also result from management’s failure to live up to its ethical responsibilities. Moreover, once the government control is introduced, it is rarely removed.

3. To retain power granted by society: Marketing executives wield a great deal of social power as they influence markets and speak out on economic issues. However, there is a responsibility tied to that power. If marketers do not use their power in a socially acceptable manner, that power will be lost in the long run.

4. To protect the image of the organisation: Buyers often form an impression of an entire organisation based on their contact with one person. That person represents the marketing function. Sometimes a single sales clerk may pervert the market opinion in relation to that company which he represents. Therefore, the ethical behaviour in marketing may be strengthened only through the behaviour of the marketing executives.

**ANSWER 9**

Managing ethics and preventing whistle-blowing: The focus on core values and sound ethics, the hallmark of ethical management, is being recognized as an important way to ensure the long term effectiveness of governance structures and procedures and to avoid the need for whistle blowing.

Employers, who understand the importance of workplace ethics, provide their workforce with an effective framework and guiding principles of identity and address ethical issues as they arise.

These guidelines for managing ethics and to avoid the need for whistle-blowing in the workplace may be summarized as follows:-

(i) Have a Code of Conduct and ethics.
(ii) Establishment of open communication.
(iii) Make ethical decisions in group and make decision public whenever appropriate.
(iv) Integrate ethics with other management practices.
(v) Use of cross functional teams when developing and implementing the ethics management programme.
(vi) Appointing an ombudsman.
(vii) Creating an atmosphere of trust.
(viii) Regularly updating of policies and procedures.
(ix) Include a grievance policy for employees.
(x) Set an example from the top.
(b) Self Interest Threats:

(I) Self interest threats for finance and accounting professionals working as consultants or auditors are given below:

(a) A financial interest in a client or jointly holding a financial interest with a client.
(b) Undue dependence on total fees from a client.
(c) Having a close business relationship with a client.
(d) Concern about the possibility of losing a client.
(e) Potential employment with a client.
(f) Contingent fees relating to an assurance engagement.

(II) Self interest threats for finance and accounting professionals working as an employee are given below:

(a) Financial interests, loans and guarantees in the company in which the professional is working.
(b) Incentive compensation arrangements.
(c) Inappropriate personal use of corporate assets.
(d) Concern over employment security.
(e) Commercial pressure from outside the employing organization.

Note on Ecological Ethics:

The problem of pollution and other environmental issues can best be framed in terms of our duty to recognize and preserve the ecological systems within which we live. An ecological system is an interrelated and interdependent set of organisms and environments, such as a lake, in which the fish depend on small aquatic organisms, which in turn live off decaying plant and fish waste products. Since the various parts of an ecological system are interrelated, the activities of one of its parts will affect all other parts. Business and all social firms are parts of a larger ecological system.

Business firms depend on the natural environment for their energy, material resources, waste disposal and that environment in turn is affected by the commercial activities of business firms. Unless business recognize the interrelationship and interdependencies of the ecological systems within which they operate and unless they ensure that their activities will not seriously injure these systems one cannot hope to deal with the problem of pollution.

Ecological ethics is based on the idea that the environment should be protected not only for the sake of human being but also for its own sake. The issue of environmental ethics goes beyond the problem relating to protection of environment or nature in terms of pollution, resource
utilization or waste disposal. It is the issue of exploitive human nature and attitudes that should be addressed in a rational way.

Problems like global warming, ozone depletion and disposal of hazardous waste concern the entire world. They require international co-operation and have to be tackled at the global level.

**ANSWER 12**

Ethical behaviour in Marketing: Market is flooded with duplicate goods having fake labels for selling drugs, food stuffs, consumables like agarbathis, suparis etc. followed by misleading advertisements. This results in disrepute for the products of good companies even though such fake goods are small in quantities. Setting high ethical standard and enforcing them reverses the position. If government notices such depletion of ethical standard, rigid regulations are brought in and are never withdrawn. Marketing executives enjoy great amount of social power in influencing the society. They also are the emblems for the organization. Once the virtues are lost it is difficult to regain the social power, influence and image.

**ANSWER 13**

Benefits which may be obtained by paying attention to business ethics: Ethics is the concern for good behaviour – doing the right thing. In business, self interest prevails and there is always inconsistency between ethics and business. But it is a well settled principle that ethical behaviour creates a positive reputation that expands the opportunities for profit. The awareness regarding products and services of an organization, and the actions of its employees can affect its stakeholders and society as a whole. Therefore, to pay proper attention to business ethics may be beneficial in the interest of business. These benefits may be enumerated as follows:

1. In the recent past ruthless exploitation of children and workers, trust control over the market, termination of employees based on personalities and other factors had affected society and a demand arose to place a high value on ethics, fairness and equal rights resulting in framing of anti-trust laws, establishment of governmental agencies and recognition of labour unions.

2. Easier change management: Attention to business ethics is also critical during times of fundamental change. The apparent dilemma may be whether to be non profit or for profit. In such situations, often there is no clear moral compass to guide leaders about what is right or wrong. Continuing attention to ethics in the workplace sensitises leaders and staff for maintaining consistency in their actions.

3. Strong team work and greater productivity: Ongoing attention and dialogues regarding ethical values in the workplace builds openness, integrity and a sense of community which leads to, among the employees, a strong alignment between their values and those of the organisation resulting in strong motivation and better performance.
(4) Enhanced employee growth: Attention to ethics in the workplace helps employees face the reality - both good and bad in the organisation and gain the confidence of dealing with complex work situations.

(5) Ethical programmes help guarantee that personnel policies are legal: A major objective of personnel policies is to ensure ethical treatment of employees. In matters of hiring, evaluating, disciplining, firing etc. An employer can be sued for breach of contract for failure to comply with any promise. The gap between corporate culture and actual practice has significant legal and ethical implications.

Attention to ethics ensures highly ethical policies and procedures in the work place. Ethics management programmes are useful in managing diversity. Such programmes require the recognition and application of diverse values and perspectives which are the basis of a sound ethics management programme. Most organisations feel that cost of mechanisms to ensure ethical programme may be more helpful in minimizing the costs of litigations.

(6) Ethical programmes help to detect ethical issues and violations early, so that criminal acts “of omission” may be avoided.

(7) Ethical values help to manage values associated with quality management, strategic planning and diversity management.

**ANSWER 14**

The concept of Corporate Social Responsibility (CSR) focuses on the idea that beyond making profit, a business has social obligations. It is the responsibility of the companies to produce an overall positive impact on the society. CSR is pursued by business to balance their economic, environmental and social objectives while at the same time addressing stakeholders’ expectations and enhancing shareholders’ values. Stakeholders, including shareholders, analysts, regulators, labour unions, employees, community organisations and mass media expect companies to be accountable not only for their own performance but for the performance of their entire supply chain. Issues such as peace, sustainable development, security, poverty alleviation, environmental quality and human rights have a profound effect on business and its environment.

Corporate Social Responsibility is the continuing commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

Need for social responsibility:
1. The iron law of responsibility
2. To fulfil long term self-interest
3. To establish a better public image
4. To avoid government regulation and control
5. To avoid misuse of National Resources and Economic Power
6. To convert Resistances into Resources
7. To minimise Environmental damage.
**ANSWER 15**

The root meaning of the term discriminate is “to distinguish one object from another”. Employment discrimination is treating one person better than another because of their age, gender, race, religion or other protected class of status. Discrimination in employment is wrong because it violates the basic principle of equality. Discrimination is to treat people differently. It is usually intended to refer to the wrongful act of making a difference in treatment or favour on a basis other than individual merit.

Elements of Discrimination: Generally, the discrimination means to distinguish one object from another or treating people differently. It is usually intended to refer to the wrongful act of making a difference in treatment or favour on a basis other than individual merit. Such discrimination may also be related in employment in business organization.

The elements which create discrimination may be summarized as follows:
(i) If the decision against one or more employees is taken which is not based on individual merit, such as the ability to perform a given job, seniority or other morally legitimate qualification.

(ii) If the decision has been derived solely from racial or sexual prejudice, false stereotypes other kind of morally unjustified attitude against members of which the employee belongs.

(iii) If the decision has a harmful or negative impact on the interests of the employees, perhaps costing them jobs, promotions or better pay.

Discrimination in employment is wrong because it violates the basic principle of justice by differentiating between people on the basis of characteristics (race or sex) that are not relevant to the tasks they must perform. Looking to these aspects law has also been changed to conform to these moral requirements and to minimize the discrimination in employment in this respect.

**ANSWER 16**

Principles of Ethics: The fundamental principles relating to ethics as applicable to accounting and finance professionals are as follows:

(i) The principle of integrity: Integrity means veracity. The principle requires all accounting and finance personnel to be honest and straight-forward in discharging their respective professional duties.

(ii) The principle of objectivity: The principle requires accounting and financial professionals to stick to their professional and financial judgement without bias, conflicting interests, or under influence of others.

(iii) The principle of confidentiality: The principle requires accounting and financial professionals to refrain from disclosing confidential information related to their work.
(iv) The principle of professional competence and due care: The financial and accounting professional need to update their professional skill in the modern competitive environment.

(v) The principle of professional behavior: The principle requires accounting and financial professional to comply with relevant laws and regulations and avoid such action which may result into discrediting the profession.

**ANSWER 17**

Ethics: The term 'Ethics' has a variety of meanings. One of the meanings is 'Ethics' are the principles of conduct governing an individual or a group. Another definition describes ethics as relating to what is good or bad and having to do with moral duty and obligation.

Business Ethics: In a broad sense, ethics in business refers to the application of day-to-day moral and ethical norms to business. Business ethics are the principles and standards that determine acceptable conduct in business organisation.

Being ethical in business requires acting with an awareness of -
(a) The need for complying with rules (e.g) (i) laws of the land, (ii) customs and expectation of the community (iii) principles of morality (iv) policies of the organization and (v) general concerns such as the needs of others and fairness.

(b) How the products, services and actions of a business enterprise, can affect its stakeholders (i.e. employees, customers, suppliers, shareholders and community society as a whole) either positively or negatively.

**ANSWER 18**

The reasons which lead to unethical behaviour among finance and accounting professionals are as follows:

1. Emphasis on short term results: This is one of the primary reasons which has led to the downfall of many companies like Enron and Worldcom.

2. Ignoring small unethical issues: It is a known fact that most of the compromises we make are small, however, they lead us into committing large infractions. Ignoring minor lapses, lead to bigger and huge mistakes.

3. Economic cycles: In good times, companies are relaxed in their accounting procedures or disclosures, as there is a pervasive feel-good effect. But when times of hardship follow, then the hit taken by them is almost fatal, as was proved in the Enron case. So companies need to watch out for economic cycles and be vigilant in good times as well as bad.

4. Accounting rules: In the era of globalization and massive cross border flow of capital, accounting rules are changing faster than ever before. The rules have become more complex and
it is difficult to identify deviations from these complex set of requirements. The complexity of these principles and rules and the difficulty associated with identifying abuse are reasons which may promote unethical behaviour

**ANSWER 19**

The Competition Act, 2002 intends to provide, keeping in view of the economic development of the country, for the establishment of a Commission to prevent practices having adverse effect on competition, to promote and sustain competition in markets, to protect the interests of consumers and to ensure freedom of trade carried on by other participants in markets, in India, and for matters connected therewith or incidental thereto.

The Act deals with the following:

- Prohibition of certain agreements, which are considered to be anti-competitive in nature. Such agreements [namely tie in arrangements, exclusive dealings (supply and distribution), refusal to deal and resale price maintenance] shall be presumed as anti-competitive if they cause or are likely to cause an appreciable adverse effect on competition within India.

- Abuse of dominant position by imposing unfair or discriminatory conditions or limiting and restricting production of goods or services or indulging in practices resulting in denial of market access or through in any other mode are prohibited.

- Regulation of combinations which cause or likely to cause an appreciable adverse effect on competition within the relevant market in India.

In light of the above points, any agreement that Kalam Ltd. may enter into with its competitors from North India to tie-up the price at a certain level is prohibited. Such agreements would also amount to abuse of dominant position.

Conversely, agreements with distributors preventing the latter from distributing the goods of its competitors would also be illegal since they would restrict market access and can be deemed anti-competitive.

**ANSWER 20**

**Meaning Of Ethical Dilemma**

- Ethical dilemma is a situation when a person is unable to choose that what is right and what is wrong, from various alternatives.
- Not only are we faced with questions between right and wrong, but between right and right.
How To Resolve Ethical Dilemma? Guidelines

- Define the problem clearly.
- How would you define the problem if you stood on the other side of the fence?
- How did the situation arise?
- To whom are you loyal as a person and as a member of the organisation?
- Whom could your decision or action injure?
- Are you in a position to discuss the problem with the affected parties before you make your decision?
- What is your intention in making this decision?
- Could you disclose without any doubt your decision or action to your boss, your CEO, the Board of Directors, your family, society as a whole?

ALL THE VERY BEST
KEEP ON DOING THE HARD WORK

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