

Star Rating

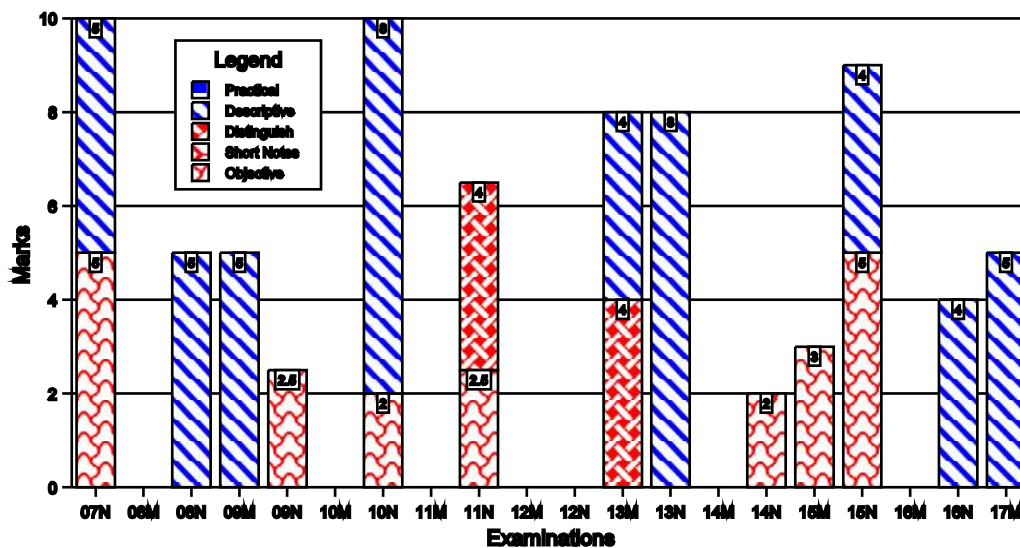
On the basis of Maximum marks from a chapter ☆

On the basis of Questions included every year from a chapter ☆

On the basis of Compulsory questions from a chapter ☆☆☆☆☆

CHAPTER	Principles of Business Ethics
1	
THIS CHAPTER COMPRISES OF	
☞ Introduction ☞ Need for Business Ethics ☞ Moral and ethics ☞ Ethical dilemmas ☞ Benefits of business ethics.	

Marks of Objective, Short Notes, Distinguish Between, Descriptive & Practical Questions



Bloom's Taxonomy (BT) Keeps You Ahead During Learning			
Basis On Which Questions Are Asked In Your Exam. So Learn In a Proper, Systematic & Scientific Way.	<table border="1" style="width: 100%;"> <tr> <td style="text-align: center;">Low Level Thinking Skills</td> <td>Level 1: Knowledge Level 2: Comprehension</td> </tr> </table>	Low Level Thinking Skills	Level 1: Knowledge Level 2: Comprehension
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<table border="1" style="width: 100%;"> <tr> <td style="text-align: center;">High Level Thinking Skills</td> <td>Level 3: Application Level 4: Analysis Level 5: Synthesis Level 6: Evaluation</td> </tr> </table>	High Level Thinking Skills	Level 3: Application Level 4: Analysis Level 5: Synthesis Level 6: Evaluation	
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Focus:
Analysis of this chapter on the basis of Bloom's Taxonomy
Questions asked in your exam from this chapter is required some High Level Thinking Skills specially Application Skill along with Low Level Thinking Skills.

► OBJECTIVE QUESTIONS

2007 - Nov [15] **Based on BT's Level 3**

You are required to state whether the statement is correct or incorrect with brief reasons :

- (a) Company management has responsibility only towards its shareholders. (2½ marks)

Answer :
Incorrect: Company management has responsibility not only towards its shareholders but also towards the other stakeholders which include employees, customers, suppliers community and society as a whole. Company management needs to balance the needs of all the stakeholders.

2007 - Nov [15]

Based on BT's Level 3

Answer any you are required to state whether the statement is correct or incorrect with brief reasons :

(c) Ethics and morals are synonymous. (2½ marks)

Answer:

Incorrect: The difference between ethics and moral is that ethics relates to what is good or bad, duty or obligation and moral relates to principles of right and wrong. The scope of ethics is much wider than that of morals. While ethics examines the moral standards of a group or society to determine whether these standards are reasonable or unreasonable, morals address individual human needs for belonging and emulation.

2009 - Nov [13]

Based on BT's Level 2

State with reasons whether the following statement is correct or incorrect :

(b) There is no difference between ethics and morals. (2.5 marks)

Answer :

Please refer 2007 - Nov [15] (c) on page no. 439

2010 - Nov [5] (b)

Based on BT's Level 2

State with reasons whether the following statement is correct or incorrect.

(ii) Trusteeship provides a means of transforming the present capitalist order of society into an egalitarian one. (2 marks)

Answer :

Correct : "Trusteeship provides a means of transforming the present capitalist order of society into an egalitarian one." Commerce without morality was developed into the idea of Trusteeship by Gandhiji. As per Gandhiji "A businessman has to act only as a trustee of the society for whatever he has gained from the society. Everything, finally, belongs to the society". Thus an individual is not free to hold or use his wealth for selfish satisfaction or in disregard of the interests of the society.

2011 - Nov [1] {C} (c)

Based on BT's Level 2

State with reasons whether the following statement is correct or incorrect :

1. Business ethics helps to promote public reputation. (2.5 marks)

2.432

■ *Solved Scanner* IPCC Gr. I Paper - 2B

Answer :

Correct: Good public image is necessary for a business to secure more customers, better employees and higher profits. A socially responsible company enjoys reputation with its brand and image. It not only draws customers but also increases company's ability, attracts capital and trading partners.

2014 - Nov [1] {C} (c)

Based on BT's Level 2

State with reasons whether the following statement is correct or incorrect:

- (ii) Ethics programs are not helping to manage values associated with quality management, strategic planning and diversity management.

(2 marks)

Answer:

Incorrect: Ethical programs are more helping to manage values associated with quality management, strategic planning and diversity management. Ethical programs are helpful to business in all the sectors.

2015 - May [1] {C}

Based on BT's Level 2

Answer the following question:

- (c) State with reasons whether the following statement is correct or incorrect:

- (i) 'Fairness and Justice' are two different approaches as a source of ethical standards.

(3 marks)

Answer :

Incorrect: The fairness or justice approach are considered as one source. This both are considered as pone approach "Fairness or justice Approach" under source of ethical standard. They are not different.

2015 - Nov [1] {C} (c)

Based on BT's Level 2

State with reasons whether the following statements are correct or incorrect:

- (i) Business Ethics helps to promote public reputation. (3 marks)
(ii) In the long-run, those business entities which responds to society needs favorably will survive. (2 marks)

Answer:

- (i) Please refer 2011 - Nov [1] {C} (c) 1 on page no. 439

- (ii) **Correct:** In long run, those business entities which responds to society's needs favourably will survive. This statement is correct. As the business organisation cannot act in isolation it has to interact with the society to run its business so if business will respond to society in favourable manner then reputation of business will go up and it will help to the business entities to survive favourably in long run way.

DISTINGUISH BETWEEN

2011 - Nov [2] (b)

Based on BT's Level 4

What are the differences between "Morals" and "Ethics"? (4 marks)

Answer :

S. No.	Basis of difference	Ethics	Morals
1	Meaning	Ethics relates to what is good or bad, moral duties and obligation.	Moral relates to principles of right and wrong.
2	Root word and Analysis	Greek word 'ethos' 'meaning character' Character is a personal attribute.	Latin word 'mos' meaning customs. Custom is an attribute of a group or society.
3	Nature	Ethics are accepted because these arise from personally accepted principles.	Morals are accepted due to an authority which may be religious or cultural.
4	Scope	Ethics is much wider in scope. It examines the moral standards of a group or society to determine whether these standards are reasonable or unreasonable in concrete situations.	Morals have smaller scope than ethics. It addresses human needs for belonging and emulation.

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5	Expression	Ethical norms are comparatively abstract. It cannot be described in general rules and statements.	Moral norms are usually expressed as general rules and statements, e.g. "always tell the truth".
6	Absorption	Ethics are adopted or absorbed by an individual gradually by taking reasonable decisions in appropriate situations.	Morals are typically adopted or absorbed since childhood from family, friends, school, religious, leaders and so on.

2013 - May [2] (d) **Based on BT's Level 3**
 Distinguish between 'Moral' and 'Ethics'. (4 marks)

Answer:
 Please refer 2011 - Nov [2] (b) on page no. 441

► DESCRIPTIVE QUESTIONS

2007 - Nov [14] **Based on BT's Level 1 & 2**
 Explain the meaning of the terms 'ethics' and 'business ethics' and also state the requirements of 'business ethics' (5 marks)

Answer :

Ethics	The term 'ethics' is derived from the Greek word 'ethos' which means character. Ethics are the principles of conduct governing an individual or a group. It is concerned with norms for conduct of people as members of society as it relates to what is good or bad, and having to do with moral duties and obligations.
Business Ethics	<ul style="list-style-type: none"> Business ethics refers to the application of everyday moral or ethical norms to business. It requires an awareness of how the products and services of an organisation and the actions of its employees, can affect its stakeholders and society as a whole, either positively or negatively.

	<ul style="list-style-type: none"> • Ethics in business organisation relates to a corporate culture of values, leadership, programs and enforcement. • It is that set of principles or reasons which governs the conduct of business - at the individual or collective level by the application of ethical reasoning to specific business situations and activities.
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Ethics in business requires an awareness of

1.	Fairness	There should be fairness and honesty in all dealings of an organisation with all its stakeholders.
2.	Accountability	The Board of Directors action must not only be fair but also be accountable not just to the investors but all other stakeholders.
3.	Transparency	The business organisation should be transparent and should be able to provide correct information at the right point of time.
4.	Legal Requirement	The need for complying with rules, such as <ul style="list-style-type: none"> (i) laws of the land, (ii) customs and expectations of the community, (iii) policies of the organisation, (iv) principles of morality, and (v) general concerns such as the needs of others and fairness.
5.	Ethical Requirement	How the products and services of an organisation and the actions of its members, affect its stakeholders, (i.e, employees, customers, shareholders, suppliers community and society as a whole), either positively or negatively.

2008 - Nov [13] {C} (a) **Based on BT's Level 2 & 3**

To pay proper attention to the business ethics is certainly beneficial in the interest of business. Describe such four benefits which may be obtained by paying attention to the business ethics. (5 marks)

Answer :

The advantages or benefits of Business Ethics are as follows		
1.	Improvement of society	Focus on Business Ethics has substantially improved society. Exploitation of workers and children, monopolistic price fixing and profiteering, harassment of employees at workplace etc. cannot be practiced by business enterprises now. The society has reacted and demanded that business enterprises place high value on fairness and equal rights, thus resulting in improved social welfare.
2.	Maintaining moral course in turbulent times	Business Ethics is helpful during times of fundamental change, when there is often no clear moral compass to guide leaders through complex conflicts about what is right or wrong. Continuing focus on ethics in the workplace sensitizes leaders and staff for maintaining consistency in their actions.
3.	Strong teamwork and productivity	When an organization finds surprising disparity between its preferred values and the values actually reflected by workplace behaviours, its continuous attention and dialogue regarding values at the workplace builds openness, integrity and community, all critical ingredients of strong teams in the workplace. Employees feel strong alignment between their values and those of the organization, as well as motivation and performance of employees are also improved.

4.	Strengthens the organization	<ul style="list-style-type: none"> (i) Managing ethical values in businesses legitimizes managerial actions (ii) Strengthens the coherence and balance of the organization's culture (iii) Improves trust in relationship between individuals and groups (iv) Supports greater consistency in standards and qualities of products (v) Cultivates greater sensitivity to the impact of the enterprise's values and messages.
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KZ - 1**Knowledge Zone****Other Benefits of Business Ethics**

1. **Ensure that policies are legal** : Attention to ethics ensures highly ethical policies and procedures in the workplace. For example, in matters of hiring, evaluating, disciplining, firing, etc. most firms feel that it is for better to incur the cost of mechanisms to ensure ethical practices than to incur cost of litigation later.
2. **Compliance with law** : Ethical programs help to avoid criminal acts " of omission" and reduce fines, focus on ethical programs results in early identification of ethical issues and violations, so that they can be reported or addressed.
3. **Total Quality Management (TQM)** : Total Quality Management initiatives include high priority on certain operating values, e.g. trust among stakeholders, performance, reliability, measurement, and feedback. Ethical programs help in identifying preferred values and ensuring that organizational behaviours are aligned with those values for TQM purposes.
4. **Diversity Management** : Ethics management programs are useful in managing diversity. Diversity programs require recognizing and applying diverse values and perspectives which are the basis of a sound ethics management program.

2009 - May [13] {C} (a) **Based on BT's Level 3**
 "To maintain social contract between society and business, the trusteeship relations are essential". Describe the role of business ethics in this reference. (5 marks)

Answer :
William Shaw defined business ethics as the study of what constitutes right and wrong or good and bad human conduct in business context. Thus, business ethics deals with morality in business environment. It involves moral judgement based on understanding of the society.

There is a 'social contract' between society and business, under which society bestows upon business firms the authority to own and use its natural and human resources. In return society expects that productive organisations will enhance the general interests of consumers, employees and community. In conduct of their activities business firms are expected to honour social rights, justice, equity and fairness. Business ethics provides a set of moral principles which should govern the conduct of business. These moral principles help business people to judge the social consequences of their decisions and actions.

Commerce without morality was developed into the idea of trusteeship by Mahatma Gandhi. According to him, a business man has to act only as a trustee of the society for whatever he has gained from society. Thus, an individual is not free to hold or use his wealth for selfish satisfaction or in disregard of the interest of the society.

2010 - Nov [2] (b) **Based on BT's Level 1**
 Explain the Social Sins listed by Mahatma Gandhi. (4 marks)

Answer :

The social sins as listed by Mahatma Gandhi are as follows		
1.	Politics without principles	The first deals with the political field. The Kings in Indian tradition were only the guardian executors and servants of 'Dharma'. For Gandhi, Rama was the symbol of a king dedicated to principles.

2.	Wealth without work	The second dictum deals with the sphere of Economics. Tolstoy and Ruskin inspired Gandhi on the idea of bread-labour.
3.	Commerce without Morality	Gandhiji developed the third maxim into the idea of trusteeship. A businessman has to act only as a trustee of the society for whatever he has gained from the society. Everything, finally, belongs to the society.
4.	Knowledge without character	The fourth dictum deals with knowledge. Education stands for the all round development of the individual and his character. Gandhi's system of basic education was the system for development of one's character.
5.	Pleasure without conscience	In fifth maxim, Gandhi emphasized on conscience. He said that pleasure without conscience is a sin.
6.	Science without Humanity	In sixth maxim, Gandhi held that science without the thought of the welfare of humanity is a sin. Science and humanity together pave the way for welfare of all.
7.	Worship without Sacrifice	In religion, we worship, but if we are not ready to sacrifice for social service, worship has no value, it is a sin to worship without sacrifice.

2010 - Nov [3] (b)

Based on BT's Level 1

Explain the fundamental principles relating to ethics.

(4 marks)

Answer :

The fundamental principles relating to ethics are as follows		
1.	The Principle of Integrity	This principle requires all accounting and finance professionals to be honest and straightforward while discharging their respective professional duties related to accounting and finance.

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2.	The Principle of Objectivity	This principle calls upon all accounting and finance professionals to stick to their professional and financial judgment.
3.	The Principle of Confidentiality	This principle calls upon all practitioners of accounting and financial management not to disclose confidential information related to their work to others.
4.	The Principle of Professional Competence and due care	This principle calls upon the finance and accounting professionals to update their professional skills from time to time in order to provide competent professional services to their clients.
5.	The Principle of Professional Behaviour	This principle calls upon accounting and finance professionals to comply with relevant laws and regulations and avoid such actions which may result in discrediting the profession.

2013 - May [6] (c)

Based on BT's Level 1

Explain five sources of ethical standards.

(4 marks)

Answer:

Five Sources of Ethical Standards are as follows		
1.	The Rights Approach	This approach suggests the ethical action that best protects and respects the moral rights of those affected. This approach starts from the belief that humans have a dignity based on their human nature per se or on their ability to choose freely what they do with their lives.
2.	The Fairness or Justice Approach	This approach contributed the idea that all equals should be treated equally. Today we use this idea to say that ethical actions treat all human beings equally-or if unequally, then fairly based on some standard that is defensible.

3.	The Utilitarian Approach	The ethical corporate action is the one that produces the greatest good and does the least harm for all who are affected. The utilitarian approach deals with consequences; it tries both to increase the good done and to reduce the harm done.
4.	The Virtue Approach	A very ancient approach to ethics is that ethical actions ought to be consistent with certain ideal virtues that provide for the full development of our humanity. Honesty, courage, compassion, generosity, tolerance, love, fidelity, integrity, fairness, self-control, and prudence are all examples of virtues.
5.	The Common Good Approach	This approach calls attention to the common conditions that are important to the welfare of everyone. This may be a system of Laws, effective police and fire departments, health care, a public educational system, or even public recreational areas.

2013 - Nov [4] (b)

Based on BT's Level 1

Describe the seven social sins listed by Mahatma Gandhi. (4 marks)

Answer:

Please refer 2010 - Nov [2] (b) on page no. 446

2013 - Nov [7]

Based on BT's Level 2 & 3

Answer the following :

(e) Describe any four benefits which may be obtained by paying attention to business ethics. (4 marks)

Answer:

Please refer 2008 - Nov [13] {C} (a) on page no. 444

2015 - Nov [3] (b) (i)

Based on BT's Level 1

Explain any four sources of ethical standard. (4 marks)

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Answer:

Please refer 2013 - May [6] (c) on page no. 448

2016 - Nov [3] (b) **Based on BT's Level 2 & 3**

“To maintain social contract between society and business, the trusteeship relations are essential.” Discuss the role of business ethics in this reference. (4 marks)

Answer:

Please refer 2009 - May [13] {C} (a) on page no. 446

2017 - May [1] {C} (c) Explain the term “Virtue Approach” as one of the sources of Ethical Standards? (5 marks)

Similarly Asked Questions*				
No.	Category	Question	Marks	Frequency
1	Dt. Between	Distinguish between ‘Moral’ and ‘Ethics’. 11- Nov [2] (b), 13 - May [2] (d)	4, 4	2 Times
2	Descriptive	Describe the seven social sins listed by Mahatma Gandhi. 10 - Nov [2] (b), 13 - Nov [4] (b)	4, 4	2 Times
3	Descriptive	Describe any four benefits which may be obtained by paying attention to business ethics. 08 - Nov [13] {C} (a), 13 - Nov [7] (e)	5, 4	2 Times
4	Descriptive	Explain any four sources of ethical standard. 13 - May [6] (c), 15 - Nov [3] (b) (i)	4, 4	2 Times

* This table contains the Similarly Asked Questions. Please pay more attention to such question.

5	Descriptive	<p>“To maintain social contract between society and business, the trusteeship relations are essential.” Discuss the role of business ethics in this reference.</p> <p>09 - May [13] (a), 16 - Nov [3] (b)</p>	5,4	2 Times
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Table Showing Marks of Compulsory Questions

Year	12 N	13 M	13 N	14 M	14 N	15 M	15 N	16 M	16 N	17 M
Objective					2	3	5			
Descriptive										5
Total					2	3	5			5