

QB365 Question Bank Software Study Materials

Business Ethics and Corporate Governance Important 2,3 & 5 Marks Questions With Answers (Book Back and Creative)

11th Standard

Commerce

Total Marks : 75

2 Marks

10 x 2 = 20

1) What is ethics?

Answer : Ethics is derived from the Greek word 'ethos' which means a person's fundamental orientation towards life. It governs the behaviour, derived from the moral standards which help to determine right or wrong, good or evil.

2) Define Corporate Governance.

Answer : According to World Bank, "Corporate governance is about promoting fairness, transparency and accountability". According to Cadbury committee, "Corporate governance is defined as the system by which companies are directed and controlled".

3) Write any two key elements of Business Ethics.

Answer : Some of the basic elements of business ethics while running a business enterprise are:

- (i) Top Management Commitment
- (ii) Publication of a "Code".

4) What are MNCs?

Answer : MNC's are defined to be an enterprise operating in several countries but managed from one country. It engages in various activities like exporting, manufacturing in different countries.

5) State the Basic elements of Business Ethics?

- Answer :**
- (i) Top Management Commitment
 - (ii) Publication of a code
 - (iii) Establishment of compliance mechanism
 - (iv) Involving Employees at all levels
 - (v) Measuring results.

6) What is the meaning of the Greek word 'ethos'?

Answer : Ethics is derived from the Greek word 'ethos' which mean a person's fundamental orientation towards life.

7) What do you mean by bench marking?

Answer : Bench marking is nothing but a measurement of the quality of an organization's policies, products, programs, strategies, etc., and their comparison with standard measurements, or similar measurements of its peers.

8) What is ethical for a businessman?

Answer : Ethical for a businessman is simply stated that a businessman should strictly adhere to the code of business ethics.

9) Write any two features of MNC.

Answer : **The main features or elements of MNCs are as follows:**

- (i) Considers opportunities throughout the globe though they do the business in a few countries.
- (ii) To invest considerable portion of their assets internationally.

10) What are the reasons for MNCs in india?

Answer : **The reasons for so many MNC's in Indian are as follows:**

- (i) India has a huge market

(ii) It is one of the fastest growing economies in the world.

3 Marks

10 x 3 = 30

11) What do you mean by the concept of business ethics?

Answer : 1. Business exists to supply goods and services to the people from social point of view but from individual point of view, the primary objective of any Business unit is to make profit.
2. The individual objective should not be in conflict with societal objective.
3. These two objectives normally contradict each other, as one Business enterprise may be good in individual objective and bad at Societal objective and vice versa.
4. This raises the question of what is right and what is wrong.
5. The subject matter of Ethics is concerned with establishing linkages between individual good and social good. Ethical standards are often enacted into laws.
For Example : Charging fair prices to customers, using fair weights for measurement of commodities, giving fair treatment to workers, earning reasonable profits, etc.

12) Why MNC's in India?

Answer : In 1991, India faced an economic crisis and to lift the country out of the crisis, the Indian government rolled out economic reforms, and hence openly opted for economic liberalisation. This allowed private investments and thereby MNCs to operate in India.
MNCs can bridge the gap between the requirements of foreign capital for increasing foreign investment in India. The liberalized foreign investment pursued since 1991, allows MNCs to make investment in India subject to different ceilings fixed for different industries or projects.

13) Why is Ethics necessary in Business?

Answer : 1. All business units have realised that ethics is vitally important for the existence and progress of the business as well as the society.
2. It is very important as it improves public image, earns public confidence, and leads to greater success.
3. Ethics and profits go together in the long run. It enhances the quality of life, standard of living and business.

14) What are the main Features of MNCs?

Answer : The following are the main Features or Elements of MNCs:
(i) Considers opportunities throughout the globe though they do the Business in a few countries.
(ii) To invest considerable portion of their Assets Internationally.
(iii) They are huge Industrial/Business organisation.
(iv) It engages in International Production and operates plants in a number of countries.
(v) They take managerial decisions on a global perspective.
(vi) They produce in one or a few countries and sell them in most of the countries.
(vi) Their International. operations are integrated into the corporations overall Business.

15) What are the primary types of Benchmarking.

Answer : There are four primary types of benchmarking :

i. Internal:

It is a comparison of a business process to a similar process inside the organisation.

ii. Competitive Benchmarking:

It is a direct competitor - to - competitor comparison of a product, service, process or method.

iii. Generic Benchmarking :

It is related to the overall performance of the chosen unit of MNC or business.

iv. Functional Benchmarking:

It is comparison to similar or identical practices within the same or similar functions outside the immediate industry.

16) What do you mean by Corporate Governance?

Answer : Corporate Governance is the system by which businesses are directed and controlled in the best interests of all stakeholders. Corporate Governance lays emphasis on ethics, fair business practices, transparency, disclosure and conduct of business for the benefit of all stakeholders.

17) Define MNC.

Answer : In the words of Neil H. Jacoby, "A multinational corporation owns and manages business in two or more countries".

18) Explain the types of Bench marking:

Answer : There are four primary types of benchmarking:

internal, competitive, functional, and generic Internal benchmarking is a comparison of a business process to a similar process inside the organization. Competitive benchmarking is a direct competitor-to-competitor comparison of a product, service, process, or method Functional benchmarking is a comparison to similar or identical practices within the same or similar functions outside the immediate industry. The generic concept is related to the overall performance of the chosen unit of MNC or business.

19) Why MNCs in India?

Answer : The reasons for so many MNC's in Indian are as follows:

- (i) India has a huge market.
- (ii) It is one of the fastest growing economies in the world.
- (iii) Favourable policies of the government towards FDI.
- (iv) Financial liberalization of the country after 1991.
- (v) Government encourages and makes continuous efforts to attract foreign investment by relaxing policies.

20) What are the benefits of corporate governance?

Answer : Some of the benefits of corporate governance are as follows:

- (i) Good corporate governance enables corporate success and economic development
- (ii) Ensures stable growth of organizations.
- (iii) Aligns the interests of various stakeholders.
- (iv) Improves investors' confidence and enables raising of capital.

5 Marks

5 x 5 = 25

21) Explain the different key elements of Business Ethics.

Answer : Key Elements Of Business Ethics:

Some of the basic elements of Business Ethics while running a Business Enterprises are

a. Top Management Commitment:

- (1) Top Management has a very important role to guide the entire organizations towards ethical behaviour.
- (2) The top level personnel in any organisation should work openly and strongly committed towards ethical conducts and guide people working at middle and low level to follow ethical behaviour.

b. Publication of a "Code" :

- (1) Generally organisations formulate their own ethical codes for the conduct of the Enterprise, it should followed by the employees of the organisation.
- (2) The organisation principles are defined in the written document called code.
- (3) The code of conduct covers various areas such as health and safety in the workplace, fair dealing in selling and marketing activities, ethical practices in the business, etc

c. Establishment of Compliance Mechanism :

- (1) To make sure that actual decisions match with a firm's Ethical standards, suitable mechanism should be established.
- (2) Any organisation following Ethical codes in training, recruitment, selection, etc., is sure to be profitable.
- (3) The organisation must provide for an environment where the employees are to free to report about the matters of unethical behaviour.

d. Involving Employees at all levels :

- (1) It is the Employees at different levels who implement ethics policies to make Ethical Business a reality.
- (2) Therefore, their involvement in Ethics programmes becomes a must.
- (3) For Example, Small group of employees can be formed to discuss the important Ethics policies of firms and examine attitudes of employees towards these policies.

e. Measuring Results:

- (1) The organisations from time to time keep a check on ethical practise followed.
- (2) Although it is difficult to accurately measure the end results of Ethics programmes, the firms can certainly Audit to monitor compliance with Ethical Standards.
- (3) The top management team and other Employees should then discuss the results for further course of action.

22) What are the benefits of Corporate Governance? (any 5)

Answer : Benefits of Corporate Governance

1. Good corporate governance enables corporate success and economic growth.
2. Strong corporate governance maintains investors' confidence, as a result of which, company can raise capital efficiently and effectively.
3. It lowers the capital cost.
4. There is a positive impact on the share price.
5. It provides proper inducement to the owners as well as managers to achieve objectives that are in interests of the shareholders and the organization.
6. Good corporate governance also minimizes wastages, corruption, risks and mismanagement.
7. It helps in brand formation and development.
8. It ensures organization is managed in a manner that fits the best interests of all.

23) Explain the significance of Corporate Governance from the point of Stakeholders.

Answer : All stake holders interests are protected and promoted through Corporate governance. Some of the Benefits of Corporate Governance are as follows:

1. Good Corporate Governance enables corporate success and Economic Development.
2. Ensures stable growth of organisations.
3. Aligns the interests of various stakeholders.
4. Improves investors' confidence and enables raising of Capital.
5. Reduces the cost of Capital for Companies.
6. Has a positive impact on the Share price.
7. Provides incentive to managers to achieve organisational objectives.
8. Eliminates Wastages, corruption, risks and management.
9. Improves the image of the company.
10. The organisation is managed to Benefit the stake holders.
11. Ensures efficient allocation of resources.
12. Creates a strong brand as an Ethical Business.

24) Explain the benefits of Corporate Governance.

Answer : The following are the benefits of corporate governance:

1. Good corporate governance enables corporate success and economic development.
2. Ensures stable growth of organizations.
3. Aligns the interests of various stakeholders.
4. Improves investors confidence and enables raising of capital.
5. Reduces the cost of capital for companies.
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7. Provides incentive to managers to achieve organizational objectives.
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9. Improves the image of the company.
10. The organization is managed to benefit the stakeholders.
11. Ensures efficient allocation of resources.
12. Creates a strong brand as an ethical business.

25) Write briefly about International benchmarks.

Answer : International Benchmarks:

Benchmarking is comparing one's business processes and performance metrics to industry bests and best practices from other companies. There are four primary types of benchmarking: internal, competitive, functional, and generic. Internal benchmarking is a comparison of a business process to a similar process inside the organization. Competitive benchmarking is a direct competitor-to-competitor comparison of a product, service, process, or method.

How Benchmarking works:

1. Select a product, service or process to benchmark.
2. Identify the key performance metrics.
3. Choose companies or internal areas to benchmark.
4. Collect data on performance and practices.
5. Analyze the data and identify opportunities for improvement