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SUGGESTED SOLUTION

SYJC EXAM

SUBJECT- ORGANIZATION OF COMMERCE

Test Code – SYJ 6022 A

BRANCH - () (Date :)

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ANSWER-1**ANSWER-A****(3 MARKS)**

1. Trustees
2. Society
3. Government

ANSWER-B**(2 MARKS)****A-1****B-4****ANSWER-C****(5 MARKS)**

1. Chanakya
2. Consumers / Customers
3. Code of conduct
4. Owners
5. Investors

ANSWER-2**(5 MARKS)**

Sr.No.	Basic of Difference	Traditional Social Responsibility	Corporate Social Responsibility
1.	Meaning	It refers to help poor through profit made by business.	It refers to commitment business to contribute economic development.
2.	Evolution	It is evolved in ancient India and Pre-Christian Era	It is evolved after World War II.
3.	Concept	It has philanthropic concept	It refers to ethical, legal and economic concept also.
4.	Scope	It is restricted at individual level.	In considers economy as a whole.
5.	Type	It is primitive a narrow approach	It is global and wider approach
6.	Goals	It has not considered intangible goals.	It has considered tangible as well as intangible goals.
7.	Nature of firms	Business firm adopting traditional social responsibility are generally smaller firms.	Business firms adopting corporate social responsibility are generally large firms including MNCs.
8.	Area Coverage	This concept is operated at local level because it is adopted by small firms.	This concept is operated at national and international level as it is adopted by large firms.

ANSWER-3**(5 MARKS)****1)**

Business should be conducted on profit basis for prosperity and growth of owners. Be in position to perform any of its social responsibilities Following are the responsibilities towards owners.

1. **Reasonable Profit:** Business should focus on basic aim of earning profit and growth. It will bring financial stability of enterprise.
2. **Exploiting Business Opportunities:** Business should be ready to take every possible opportunity to deal with. They should be alert to find such opportunities. This is very crucial for its success.

3. **Expansion and Diversification:** Business should always be developing and growing. Then it will expand and result in diversification. Company should undertake research and development projects to face market competitions. This will enable to pay high returns to shareholders.
4. **Careful Use of Capital:** Available capital should be used carefully and efficiently management to conduct business activity. Risk factors involved in policies should be properly considered. Management should give attention to the safety of the capital.
5. **Minimizing Wastages:** Business Organization can maximize profitability by minimizing wastages. They should provide due attention throughout the business. No financial loss should be allowed.
6. **Fair Practices on Stock Exchange:** All sorts of unfair practices related to stock exchange should be avoided such as misusing the secrets information and providing wrong information, artificially increasing the prices of shares etc. Such practices should be strictly prohibited.
7. **Efficient Business:** Resources available should be utilized at optimum level. Making the best use of resources will increase efficiency and ultimately resulting in raisings profitability and productivity.
8. **Periodic Information and Creating Confidence:** Owner should get complete and accurate information about the financial position. Company should disclose information through reports, circulars, statement of profit etc.
9. **Effective use of Shareholder's Funds:** Shareholder's Funds must be utilized in best possible manner. Unproductive utilization should be avoided at any cost. It should give short term and long term returns in time.
10. **Creating Goodwill:** Management should develop and maintain good public image. A well reputed company commands a lot of respect and trust in the share market, labour market and consumer market. This can be achieved in following ways
 - Manufacturing world class product
 - Proper distribution and after sales service
 - Enlisting shares on stock markets
 - Performing its social responsibility towards various interest groups.

2)

The concept of social responsibility of business is closely connected with the concept of business ethics. Business ethics cover following elements:

1. **Trustworthiness:** Top to bottom, organization must work to maintain trustworthiness. Client should hold deep confidence in your abilities. They should believe on company's reliability and quality. (Performance social responsibility is essential in private or public sectors enterprises or any other business concern which is associated with society) Business runs on character, fairness, truth, honour and ability.
2. **Honest Service Delivery:** Empty promises decline reputation of company. It is better to be honest about what you can do. Company should leave every clients feeling well served upon completion of each project. "Idea" mobile company's formula is remarkable "under commitment and over delivered".
3. **Confidentiality:** Business organization should follow strict written internal confidential policy. Consumer's information and confidential records should not be disclosed to others. At the same time, they should not use wrong means to obtain information from competitors about certain formula or method of production.
4. **Openness:** Business organization should follow the principle of openness. Opinions and feedbacks from clients and team members should be asked regularly. Even in time of business disagreement, treat other's opinions and ideas with professional respect and courtesy.

5. Other Common Business Ethics:

- A large part of society is made up of common man with low purchasing power. Considering their likes, dislikes, and economical positions. Goods should be provided.
- The guarantees and warranties offered by the businessmen should be proper and customers should believe in them.
- While advertising the products, businessmen should see that advertisement should not cross limit of decency and they do not contain undue criticism on competitors.

ANSWER-4

(5 MARKS)

1)

False.

(i) Profit is not the only objective.

Modern business firms do not aim at profit alone. Besides profit they like to earn goodwill and reputation. Therefore they are more concerned about their social responsibilities.

(ii) Corporate governance.

The modern firms are very much interested in maintaining corporate governance. They want to be more responsible and more accountable business units. They believe in honesty and transparency. They want to adopt an open minded policy.

(iii) Human rights responsibility.

The corporate sector respects ethical values in terms of human rights. They want to ensure fair wages and other monetary incentives to workers. They take efforts to avoid unfair treatment and exploitation of workers.

(iv) Protection of consumer rights.

All business activities centre around consumers. Consumers are vital section of the society whose behaviour determines the future of the business organisation. Corporate governance can check such anti-consumer stand and promote the welfare of the consumers.

(v) Socio Economic activities.

Business activities are now considered as socio-economic activities. Therefore, the sole aim of the business organisation is not maximising profit. The business organisation has social responsibility.

2)

False

(i) Environment responsibility.

This is one of the important aspects of corporate social responsibility. The companies must have a suitable policy in with regard to carbon emissions and reduction. They should show responsibility to maintain sustainable growth. It is their duty to build a pollution free society.

(ii) Management of waste water

Every businessman must carefully handle the residuals like waste water so that they do not contribute to health hazards

(iii) **Generation of renewable energy**

Businessman must come forward to invest huge capital to generate energy by planting wind mills and solar units. This will go a long way to satisfy our energy needs besides making the country pollution free.

(iv) **Pollution control measures.**

It is the duty of the businessman to follow all the norms of pollution control. He must set up adequate pollution control units so that all pollutants are properly treated before they are released.

(v) **It is their obligation to protect environment.**

Business utilises all types of resources available on earth. The resources of the gift of nature. Therefore it is their turn to take all possible efforts to protect environment.

ANSWER-5

(5 MARKS)

1)

1. **SECTIONS OF SOCIETY** : Business ethics protects the interests of all sections of society. It creates healthy and competitive business atmosphere. It contributes to welfare of the society.
2. **CODE OF CONDUCT** : Business conducts various activities. At times, the businessman is under a dilemma between what is right and what is wrong. Business ethics is a code of conduct which guides businessmen in such circumstances.
3. **RELATIVE TERM** : Ethics is a relative term. It changes from situation to situation and country to country.
4. **APPLICABILITY** : Business ethics is applicable to all organizations, be it small, medium, large, sole trading, joint stock company, not for profit enterprises etc.
5. **PRINCIPLES** : Business ethics works on the principle of honesty, integrity and fair treatment. It promotes fair treatment to everyone like workers, consumers, government, competitors, etc. alike.
6. **DEFINES BOUNDARIES** : business ethics define the social, legal, cultural and economic limits for business. Businessmen should plan its activities within these boundaries.
7. **DECISION MAKING** : Business ethics define the principles and boundaries within which business activities should be carried out. This helps the businessmen in decision making and they can frame their business policies accordingly.

ANSWER-B

Government provides incentives for administration. Government has passed many acts and has laid down many rules and regulations for this purpose. It also declares various policies related to business. E.g. Government has passed policy for entry of foreign traders in retail trade. Following are the responsibilities of organization towards government.

1. **Timely payment of Proper taxes**: The Government has levied various taxes on business units such as excise duty, sales tax, corporate tax, etc. Business units should give proper information of product and should pay taxes accurately as per the provisions. The tax revenue helps the government to provide infrastructure and other welfare facilities.

2. **Respecting Rules and Regulation:** Business unit should follow various laws and regulations created by government. While setting up the business, they must follow guidelines set by the government. However, they can make suggestions to government to modify the rules if it is in interest of the society. They should conduct business in lawful manner. This helps in smooth conduct of activities of corporate sectors.
3. **Earning Foreign Exchange:** Especially large scale business should enter in export trade to earn foreign exchange. They should enable the government to import capital goods and technical know-how. All rules and regulations pertaining to imports and exports should be strictly followed.
4. **Political stability:** For economic growth the national security, political stability is required. A stable government often brings more returns and peace in a democratic society. Business units should not support those groups or individuals who are interested in creating political disturbance.
5. **Implementation of Socio-Economic Programme:** The government declares various policies for achieving economic, social and industrial progress of society. Business organization is expected to help the government in the implementation of various socio-economic programmes. They should provide expert advice and the required funds. They should help the government in solving the problems of unemployment, illiteracy, decreasing rate of sex ratio etc.
6. **Miscellaneous:**
 - Helping government during natural calamities.
 - They should not seek any favour from government officials by bribing or influencing them.
 - They should provide complete and correct information to government officials.
 - Giving timely advice to government in framing important policies in field of export-import, retail etc.
 - Providing economic and other help to welfare schemes of the government.

ANSWER-6

(10 MARKS)

Commitment to socially responsible behavior is good business for both public and private. Every organization should always make balance between profit and social responsibility organization in run by profit motive but profit maximization should not be sole aim.

The following points bring out the cases for social responsibility of business

1. **Concept of Trusteeship:** Commercial organization operate within society. They are a part of society. Now it is realized that activity which is not good for public is also not good for business. This is theory of trusteeship. According to this principle, "A business must be held in trust, legally and morally for the benefit of people". Businessmen are considered to be trustees of society. Thus business is a social venture. e.g. seven multinational companies in India announced a common commitment to responsible marketing to children regarding cold drinks.
2. **Changing Expectations of Society:** World is changing, growing and expanding very rapidly. Over the years, social demands have changed and business should respond them positively. Awareness about rights is increasing among people. Overall knowledge level is also increased. Business must operate as per expectations of society. It should give society what it wants. In addition, it should not do anything which is harmful to society.
3. **Projecting Favourable Public Image:** A business which responds favourably to social need creates a good market reputation and goodwill. It also imprints good public image. Ultimately,

organizations which care for its employees, consumers and society will be respected by them. Such organizations are always about to get good support from public.

4. **Protection of Environment:** Business uses natural wealth and human resources to produce goods and services. Business organizations should make proper use of country's natural resources. They should avoid environmental pollution and ecological imbalance. Their practices should be eco friendly. They should not affect the interest of society and environment. Since society allows business to make use of natural resources and public facilities like roads, power, water supply etc. It becomes moral duty of business to take care of welfare of society. "Syngenta" has started a project "Krishi Shakti Kendra" to various places in India to protect environment.
5. **Better and Optimum Utilization of Resources:** Generally large business has huge surplus resources in terms of finance, manpower, talent and functional expertise. Business should use all resources for expansion and also for society's benefit. They should provide better life and welfare to different social groups. There should be proper balance while using surplus resources and wastages should be avoided. Tata Tea adopted policy to minimize damages to environment. They extract resources in limited quantity.
6. **Trade Union's Pressure:** In modern times, workers have become conscious of their rights and privileges. Trade unions are growing fast and play important role in business environment. The employees have realized that their efforts contribute to the profits of business. So they always come up with new demands. Such demands may result in poor relation between management and workers. They expect management to provide fair wages and other benefits. To avoid such conflicts, business should understand responsibility and act accordingly.
7. **Growth of Consumer Movement:** Consumer movement is the movement against business malpractices. It is grounded in India long years back. Today's age has organized consumerism. Consumers when organized cannot accept any injustice by business. They have raised voice against unfair trading practices. They expect company to produce good quality products at reasonable prices. Due to pressure of consumer forums and associations, businessmen have realized their social responsibilities and following fair trade practices.
8. **Government Control:** Government has enacted various laws such as Consumer Protection Act, Air Pollution Act and Food Adulteration Act, etc. There are as many as 30 environmental legislations in India. This has put moral as well as legal pressure on business. If business units do not operate within these limits then there is fear of strict government control. To avoid chance of takeover etc. business should contribute their share for society. Business unit should carry all activities within legal, moral and social limits. Government's main aim is to create favorable atmosphere for economic and industrial growth.

Long Term Self Interest: If business organizations ignore social responsibility, they may not be able to earn good profit in long term. The employees may not work heartily, investors and shareholders will not show positive response. Consumers may refuse to buy low quality products at high prices. It may even bring their existence in danger. Hence for long term interest, business has realized importance of social responsibility.

OR

Ultimate goal of business must be satisfaction of consumer's wants. The consumer is the king of market but in reality experience is different. Exploitation of consumer is very common due to lack of information and many other reasons. However, existence of business is dependent on consumers only. To protect their interest, business should perform following responsibilities.

1. **Good quality products:** A business enterprise should provide higher quality of goods and services. Every organization should have to quality control department that inferior and substandard products can be rejected International Standard Organization ISO is the latest

trend towards quality control. Good quality can be maintained by using high quality materials and spare parts and high standard of techniques of production. This ensures customers about quality product

2. **Consumer Safety:** While manufacturing the products, health and safety of consumers should be the prime factor. Unsafe products should not be marketed. Consumer should be warned of any unsafe good. Some rival organizations may introduce imitation articles of inferior quality, in such circumstances the producer of genuine products must alert consumer.
3. **Charging Fair Prices:** The products and services should be available to consumers at fair prices. They should not be cheated by charging unreasonable prices. Such practice will spoil the image of organization in long run. All efforts should be made to charge fair prices. This is moral and social responsibility of business. Maximum Retail Price (MRP) Inclusive All taxes should be printed on every packed product. Retailer should not charge any extra amount.
4. **Services Regarding Products:** Organization should consider following services to customers about the goods or products:
 - Regular supply of goods on the right price and right place.
 - Provide sufficient quantity and quality of goods as per demands.
 - A large variety of products should be provided to consumers.
 - The goods must meet the needs of consumers of different classes, taste, purchasing power etc.
 - Quick efficient after sales services should be provided especially in case of consumer durable products.
 - Free repair and maintenance as well as guidance about how to use product should be available.
5. **Research and Development:** The organizations should adopt new methods and techniques of production and distribution. They should conduct research and development to improve the quality of goods and to reduce cost of production. It will minimize final prices charged to customers.
6. **Accurate information:** Accurate Information of product should be provided to consumers through advertising, packing and labeling. Such information includes contents of product, their uses, ways of maintaining products, side effects, date of manufacturing and expiry, MRP, etc. This is necessary when product is new or some technical knowledge is required for proper use of product. Printed leaflet may be provided to take proper precautions. This will avoid possibility of improper use of product or injury or damage.
7. **Customer Service Cell:** An organization must attend all complaints of customers without any delay. Quick and effective service regarding grievance should be provided. Suggestions of customers should be welcome and required modifications should be considered.
8. **Advertising Ethics:** Advertisement of products should convey facts of products, its uses merits, demerits etc. False, misleading and vulgar advertisement should be avoided. Only honest advertising can be appreciated by consumers in the long run.
9. **Avoiding Consumer Exploitation:** Business should avoid unfair trade practices which lead to exploitation of consumers. They should not take undue advantage of certain situations and create artificial scarcity of goods.
10. **Miscellaneous:**
 - Supplying goods in pure form
 - Supply of spare parts
 - Fulfilling guarantees and warranties.
 - To honour the rights of consumers under consumer protection act 1986.
 - To give descent, fair and just treatment to consumer.
 - To help consumers welfare by assisting government and consumer's association.
 - Avoid monopolistic Competition
 - Provide Consumer Oriented production

