

3841290

Section A : Basic Concepts (30 Marks)

- This section consists of questions with serial number 1 - 30.
- Answer all questions.
- Each question carries one mark.
- Maximum time for answering Section A is 30 Minutes.

1. M/S Fair Ltd. is engaged in the trading of wholesale groceries, Good Ltd., is a retailer in the same line of business. In one of the transactions of purchase of whole wheat flour from Fair Ltd., Good Ltd., claimed that quality of the wheat flour supplied was lacking the standard norms and later an inspection proved the fact, wheat flour supplied had 10% of chalk powder mixed as an ingredient, which made it poor in quality. Good Ltd., can call such an act of Fair Ltd., as
- (a) Moral
 - (b) Immoral
 - (c) Amoral
 - (d) Unprincipled
 - (e) Dishonorable.
2. A company manufacturing fertilizers manages its production effectively, showing quarterly profits in its balance sheet. In the production process a gas is released, which causes respiratory diseases in the people residing in the radius of 100 kms of the factory premises. This problem could be dealt with by installing an effluent treatment plant, which is being constantly postponed by the management. Which of the following statements is **true** with reference to the above situation?
- (a) Management is discharging all of its responsibilities
 - (b) Management is not discharging its corporate responsibilities
 - (c) Management is not discharging its social responsibilities
 - (d) Management is not maximizing the value of shareholders wealth
 - (e) Management is not trying to maximize the profits of the company.
3. "We should treat others the same way that we want others to treat us" is the statement laid down by which of the following theories of ethics?
- (a) Metaethics
 - (b) Normative ethics
 - (c) Applied ethics
 - (d) Metaphysical ethics
 - (e) Psychological ethics.

4. The field of metaethics deals with three issues, the metaphysical, psychological and linguistic. Metaphysical issues deal with the question(s) relating to

- I. Psychological basis of the moral action.
- II. Moral values, whether they can exist independently of humans or are they simply human conventions.
- III. The meaning of the key moral terms commonly used.

- (a) Only (I) above
- (b) Only (II) above
- (c) Only (III) above
- (d) Both (I) and (II) above
- (e) Both (II) and (III) above.

5. Culture is based on the values of an organization. Corporate values can be classified as 'espoused values' and 'values in practice'. Which of the following statements is **not true** regarding the concept of espoused values?

- (a) They refer to a company's statements, credos and code of ethics
- (b) They are intended to communicate to employees, customers, competitors etc. the type of behavior that is acceptable to the organization
- (c) They cannot differ from 'values in practice' in any situation
- (d) They describe the organization's purpose and ethical perspective
- (e) They improve employee morale when they are in congruence with values in practice.

6. Law can be defined as a consistent set of universal rules that are widely published, generally accepted and usually enforced. Which of the following describe the word 'consistent' in the given definition?

- (a) Degree of firmness
- (b) Applicability to all
- (c) Acceptance by same set of people
- (d) Imposed uniformly
- (e) Communicated to the same set of people.

7. When a company adopts an anti pollution environment policy, it is said to be 'going green'. Which of the following is **not** an objective for companies to 'go green'?

- (a) Decrease in handling expenses of wastage
- (b) Decrease in the costs of inputs and quantum of fines
- (c) Efficiency in production ensures process innovation and waste reduction
- (d) Positive response from the consumers, investors and employees towards the companies which exhibit good environmental performance
- (e) Promoting a balanced development of the regions in the vicinity of the company to facilitate overall economic development.

8. Which of the following contracts become the basis of a healthy relationship between the manager and the stakeholders to facilitate the smooth functioning of a business?

- I. Knowledge contract.
- II. Efficiency contract.
- III. Psychological contract.

- (a) Only (I) above
- (b) Only (II) above
- (c) Only (III) above
- (d) Both (I) and (II) above
- (e) All (I), (II) and (III) above.

9. The role of operations manager is classified based on production sector and service sector. Which of the following is **true** with regard to the provision of services?

- I. There is no back up or supporting inventory for poor services.
- II. There is a time gap between production of services and their consumption.
- III. There is no customer involvement in the provision of services.

- (a) Only (I) above
- (b) Only (II) above
- (c) Only (III) above
- (d) Both (I) and (II) above
- (e) Both (II) and (III) above.

*Production of
by service*

10. The Just-In-Time (JIT) purchasing concept has changed the traditional relationship between the buyers and sellers. Which of the following is **not true** regarding the features of JIT purchasing?

- (a) Frequent shipment of small lots
- (b) Reliable transportation system
- (c) Commitment to minimum errors
- (d) Stable production schedule
- (e) Close buyer-seller relationship.

11. Which of the following actions of a purchase manager would be termed ethical in his capacity?

- (a) Accepting free gifts
- (b) Forward buying of stocks with the intention of making profits against inventory
- (c) Display of favoritism to some suppliers
- (d) Negotiating for trade discounts from suppliers
- (e) Revealing confidential information.

12. Which of the following statements is **true** with respect to ethical firing of the employees?

- (a) Employers cannot include an 'at-will' clause in the employment contract of the employee.
- (b) Organizations which follow arbitrary firing practices will have a good reputation in the market
- (c) Firing is considered ethical when it is a result of a particular cause
- (d) Firing 'at-will' serves as a factor which increases the long term owner value
- (e) Decision to fire the employees mainly depends on their age and number of years of service.

13. Which of the following essential principles of 'hiring' is being violated, when a practice designed to function on the basis of quotas or reservations is implemented?
- Principle of non-discrimination
 - Principle of equality of opportunity
 - Principle of equality in remuneration
 - Principle of non-favoritism
 - Principle of reverse discrimination.
14. In some situations, the target company is forced to buyback its shares at a premium, incurring a debt, to thwart a takeover bid. Such an unethical practice can be termed as
- Poison pill
 - Greenmail
 - Goldenparachute
 - People pill
 - Sandbag.
15. The success of organized crime is based on the ability to launder money. Which of the following statements holds good in the context of money laundering?
- It involves disguising assets.
 - It involves hiding, moving and investing the proceeds of criminal transactions.
 - The first step in the process of laundering money is conversions or movement of funds to distance them from their source.
- Only (I) above
 - Only (II) above
 - Both (I) and (II) above
 - Both (I) and (III) above
 - All (I), (II) and (III) above.
16. Which of the following is an example of a fraud committed in the financial statements of an enterprise?
- Changing the method of depreciation charged on assets
 - Adoption of the concept of business entity in the preparation of financial statements
 - Recording assets at book value in the balance sheet
 - Non-disclosure of liabilities and expenses in the financial statements
 - Non-disclosure of revenue expenditure and revenue incomes in the balance sheet.
17. The objective of ethical audit is to check the actions of a firm, which are directed at maximizing which of the following variables?
- Percentage of profits distributed
 - Long term owner's value
 - Creditors turnover period
 - Working capital allocated
 - Employee's income.

18. In the acronym 'BELIEVE', a process used for resolving ethical dilemmas, the letter 'V' stands for which of the following words?
- (a) Values
 - (b) Valid
 - (c) Valuation
 - (d) Value Addition
 - (e) Variable.
19. Misleading and deceitful advertising, provision of goods unsuitable to local needs, environmental degradation and marketing methods that undermine the ancient cultures and traditions are some of the allegations made against which of the following categories of the companies?
- (a) Closely held companies
 - (b) Charter companies
 - (c) Companies of Indian origin
 - (d) Unlisted companies
 - (e) Multinational companies.
20. In the past, corporate responsibility has taken the form of codes of conduct framed by which of the following departments?
- (a) Accounts department
 - (b) Human resource department
 - (c) Public relations department
 - (d) Purchases department
 - (e) Legal department.
21. Who among the following is **not** an 'external stakeholder' for a company?
- (a) Consumer
 - (b) Supplier
 - (c) Creditor
 - (d) Competitor
 - (e) Employee.
22. Practices such as financial irregularities, tax-evasion, provision of poor quality products and services and non-compliance with environmental issues can be categorized as
- (a) Restrictive practices
 - (b) Monopolistic practices
 - (c) Unethical practices
 - (d) Insider trading practices
 - (e) Regular business practices.

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Share holder
Supplier
Management

23. An organization is engaged in the manufacture of incense sticks. The average productivity per worker should be 1,500 sticks per day. If the worker is made to roll more than 1,500 sticks in a day, there is an increase in fatigue and threat of infection in fingers of the workers, due to increased exposure of skin to the material used in the making of incense sticks. Contrary to that when a worker produces even 1,600 sticks per day, the cost per unit reduces by Re.0.06. The company instructs the workers to produce a minimum 1,600 sticks per day as against the standard norm of 1,500. Based on the given situation, choose the correct statement(s) from the following.

- I. According to the theory of ethical egoism, the company's decision is morally correct.
 - ~~II. According to the theory of utilitarianism, the company's decision is morally correct.~~
 - ~~III. According to the theory of ethical altruism the company's decision is morally correct.~~
- (a) Only (I) above
 - ~~(b) Only (II) above~~
 - (c) Only (III) above
 - (d) Both (I) and (II) above
 - (e) All (I), (II) and (III) above.

24. Which of the following statements is **not true** in the context of the Information Technology Act, 2000?

- (a) It provides for the legal infrastructure for electronic commerce in India.
- (b) It recognizes digital signatures
- (c) It provides for the legal framework for the authentication of electronic records
- (d) It provides legal sanctity to all the activities carried on in electronic mode
- ~~(e) It does not recognize the communication of the acceptance of a contract in the electronic mode.~~

25. According to the UK Institutional Shareholders Committee (ISC), the shareholders are the true proprietors of a company; therefore organizations must honor the trust of the shareholders. Which of the following is **not** a responsibility of a company towards its shareholders?

- ~~(a) Managing the company efficiently in order to secure a fair and competitive return on the owners' investment~~
- (b) Disclosing relevant information to shareholders, subject only to legal requirements and competitive constraints
- (c) Assuring the shareholders of a guaranteed return on their investment
- (d) Conserving, protecting and increasing the shareholders assets
- (e) Respecting the shareholders requests, suggestions, complaints and forward resolution.

26. Models of corporate governance such as Anglo-American, German, Japanese and Indian, try to involve various stakeholders in the governance of the company. Which of the following statements is/are **true** with respect to the models of corporate governance?

- ~~I. In the Anglo-American model, shareholders have no role to play in the election of the board of directors.~~
- ~~II. In the German model, half of the members on the supervisory board are elected by the labor unions while the remaining by shareholders.~~
- III. Indian model of corporate governance is a mix of Anglo-American model and the German model.

- (a) Only (I) above
- (b) Only (II) above
- (c) Only (III) above
- (d) Both (I) and (II) above
- ~~(e) Both (II) and (III) above.~~

27. Growing scale of corporations and their style of functioning have raised many new issues that must be addressed by corporate governance. Which of the following issues would come under the category of efficiency issues addressed to by corporate governance practices?
- I. Ensuring reasonable returns to the shareholders.
 - II. Giving bribes.
 - III. Giving gifts to potential customers and lobbying.
- (a) Only (I) above
 - (b) Only (II) above
 - (c) Only (III) above
 - (d) Both (I) and (II) above
 - (e) Both (II) and (III) above.
28. According to Kumaramangalam Birla Report, which of the following categories of directors do not have any other material pecuniary relationship or transactions with the company, its promoters or the management apart from receiving director's remuneration, which in the judgment of the board may affect their independence of judgment?
- (a) Executive director
 - (b) Non-executive director
 - (c) Nominee director
 - (d) Representative director
 - (e) Alternate director.
29. Which of the following statements is **not true** in the context of audit committee constituted by the Board of Directors of a company?
- I. It usually consists of independent directors.
 - II. It acts as a link between the board and the shareholders of the company.
 - III. It attempts to resolve any objections that the auditors raise about the published financial accounts.
- (a) Only (I) above
 - (b) Only (II) above
 - (c) Only (III) above
 - (d) Both (I) and (III) above
 - (e) Both (II) and (III) above.
30. Cadbury Committee Report on corporate governance recommended all of the following, **except**
- (a) Majority of the directors should be independent non-executive directors
 - (b) The term of a director should not exceed three years
 - (c) Professional and objective relationship should exist between the board and the executives
 - (d) Board meetings should be held at least four times in a year
 - (e) Interim company report should give the balance sheet information and should be reviewed by auditor.

END OF SECTION A