

Chapter 6: Social Responsibilities of Business

EXERCISE 1 [PAGES 128 - 130]

Exercise 1 | Q 1.01 | Page 128

Select the correct option and rewrite the sentence.

Business is a _____ activity.

1. **Socio-economic**
2. Service
3. Charitable

SOLUTION

Business is a **socio-economic** activity.

Explanation:

The primary objective of any business enterprise is profit maximisation. Profit acts as a measure of success. However, it is argued that business enterprises are not just profit-making entities. They also fulfil the duties and responsibilities towards society, as their members carry out activities that are favourable to the society. Thus, a business activity has economic as well as social goals. Therefore, it is regarded as a socio-economic activity.

Exercise 1 | Q 1.02 | Page 128

Select the correct option and rewrite the sentence.

The business organization should try to make _____ utilization of natural resources.

1. Minimum
2. Maximum
3. **Optimum**

SOLUTION

The business organization should try to make **Optimum** the utilization of natural resources.

Exercise 1 | Q 1.03 | Page 128

Select the correct option and rewrite the sentence.

For economic growth and national security _____ stability is required.

1. **Political**
2. Social
3. Economic

SOLUTION

For economic growth and national security **Political** stability is required.

Exercise 1 | Q 1.04 | Page 128

Select the correct option and rewrite the sentence.

Making timely payment of proper taxes is the responsibility of organisation towards _____.

1. Shareholders
2. Customers
3. **Government**

SOLUTION

Making timely payment of proper taxes is the responsibility of the organisation towards **Government**.

Exercise 1 | Q 1.05 | Page 128

Select the correct option and rewrite the sentence.

Businessmen are _____ of the society.

1. Representatives
2. leaders
3. **Trustees**

SOLUTION

Businessmen are **Trustees** of the society.

Exercise 1 | Q 1.06 | Page 128

Select the correct option and rewrite the sentence.

The business should provide periodic information to _____.

1. Customers
2. **Owners**
3. Employees

SOLUTION

Business should provide periodic information to **Owners**.

Exercise 1 | Q 1.07 | Page 128

Select the correct option and rewrite the sentence.

The business should offer adequate opportunities of promotion to their _____.

1. **Employees**
2. Customers
3. Investors

SOLUTION

A business should offer adequate opportunities of promotion to their **Employees**

Exercise 1 | Q 1.08 | Page 128

Select the correct option and rewrite the sentence.

The term 'Ethics' is derived from the _____ word 'Ethos' which means character.

1. Latin
2. French
3. **Greek**

SOLUTION

The term 'Ethics' is derived from the **Greek** word 'Ethos' which means character.

Exercise 1 | Q 1.09 | Page 128

Select the correct option and rewrite the sentence.

Business ethics refers to the _____ system of principles.

1. Economic
2. Social
3. **Moral**

SOLUTION

Business ethics refers to the **Moral** system of principles.

Exercise 1 | Q 1.10 | Page 128

Select the correct option and rewrite the sentence.

The business organisation should protect health and provide safety measures to

-
1. **employees**
 2. owners
 3. investors

SOLUTION

The business organization should protect health and provide safety measures to **employees**.

Exercise 1 | Q 1.11 | Page 128

Select the correct option and rewrite the sentence.

At least _____ % of the average net profit should be spent on C.S.R.

1. 5%
2. **2%**
3. 3%

SOLUTION

At least **2%** of the average net profit should be spent on C.S.R.

Exercise 1 | Q 2 | Page 128

Match the pairs.

Group 'A'	Group 'B'
A) Employees	1) Good quality product
B) Responsibility	2) To maintain solvency and prestige
C) Responsibility towards government	3) To serve society
D) Economic Objective	4) Voluntary
E) Business ethics	5) Job security
	6) Compulsory
	7) Respecting rules and regulations
	8) To earn profit
	9) Branch of social Science
	10) Protection and environment

SOLUTION

Group 'A'	Group 'B'
A) Employees	5) Job security
B) Responsibility	2) To maintain solvency and prestige
C) Responsibility towards government	7) Respecting rules and regulations
D) Economic Objective	8) To earn profit
E) Business ethics	9) Branch of social Science

Exercise 1 | Q 3.1 | Page 129

Give one word/phrase/term for the following sentence.

Name the philosophy related to social responsibility propounded by Mahatma Gandhi.

SOLUTION

Name the philosophy related to social responsibility propounded by Mahatma Gandhi.

- **Trusteeship**

Exercise 1 | Q 3.2 | Page 129

Give one word/phrase/term for the following sentence.

Duties, obligations of business directed towards the welfare of society.

SOLUTION

Duties, obligations of business directed towards the welfare of society. - **Social responsibility**

Exercise 1 | Q 3.3 | Page 129

Give one word/phrase/term for the following sentence.

Getting good quality products is the basic right of this group of society.

SOLUTION

Getting good quality products is the basic right of this group of society. - **Consumers**

Exercise 1 | Q 3.4 | Page 129

Give one word/phrase/term for the following sentence.

Providing fair returns on investment is the responsibility of the organisation towards this group.

SOLUTION

Providing fair returns on investment is the responsibility of the organisation towards this group - **Investors**

Exercise 1 | Q 3.5 | Page 129

Give one word/phrase/term for the following sentence.

Rules of standard dealing with morality in the business environment.

SOLUTION

Rules of standard dealing with morality in business environment - **Business ethics**

Exercise 1 | Q 3.6 | Page 129

Give one word/phrase/term for the following sentence.

An activity motivated by profit.

SOLUTION

An activity motivated by profit. - **Business**

Exercise 1 | Q 3.7 | Page 129

Give one word/phrase/term for the following sentence.

Earning foreign exchange is the responsibility of the organization towards this group.

SOLUTION

Earning foreign exchange is the responsibility of the organization towards this group
- **Government**

Exercise 1 | Q 3.8 | Page 129

Give one word/phrase/term for the following sentence.

Employment generation is the responsibility of the organization towards this group.

SOLUTION

Employment generation is the responsibility of the organization towards this group
- **Society.**

Exercise 1 | Q 4.1 | Page 129

State whether the following statement is true or false.

Businessmen are trustees of the society.

1. **True**
2. False

SOLUTION

Businessmen are trustees of the society - **True**

Exercise 1 | Q 4.2 | Page 129

State whether the following statement is true or false.

Business ethics is a code of conduct.

1. **True**
2. False

SOLUTION

Business ethics is a code of conduct. - **True**

Exercise 1 | Q 4.3 | Page 129

State whether the following statement is true or false.

The commercial organization is expected to uplift the weaker section of society.

1. **True**
2. False

SOLUTION

The commercial organization is expected to uplift the weaker section of the society. -
True

Exercise 1 | Q 4.4 | Page 129

State whether the following statement is true or false.

It is the responsibility of the commercial organizations to maintain industrial peace.

1. **True**
2. False

SOLUTION

It is the responsibility of the commercial organizations to maintain industrial peace.

- **True**

Exercise 1 | Q 4.5 | Page 129

State whether the following statement is true or false.

Owners should not get complete and accurate information about the financial position.

1. True
2. **False**

SOLUTION

Owners should not get complete and accurate information about the financial position

- **False**

Exercise 1 | Q 4.6 | Page 129

State whether the following statements are true or false.

The media does not play important role in public life.

1. True
2. **False**

SOLUTION

The media does not play important role in public life. - **False**

Exercise 1 | Q 4.7 | Page 129

State whether the following statement is true or false.

Social responsibility is broader than the legal responsibility of business.

1. **True**
2. False

SOLUTION

Social responsibility is broader than the legal responsibility of business - **True**

Exercise Q.1 | Q 5.1 | Page 129

Find the odd one.

1. Job security
2. health and safety measures
3. good working condition
4. **reasonable profit**

SOLUTION

Job security, health and safety measures, good working condition, reasonable profit.

- **Reasonable profit**

Exercise 1 | Q 5.2 | Page 129

Find the odd one.

1. Good quality products
2. fair prices
3. honest advertising
4. **prevent congestion in cities**

SOLUTION

Good quality products, fair prices, honest advertising, prevent congestion in cities
- **Prevent congestion in cities.**

Exercise 1 | Q 5.3 | Page 129

Find the odd one.

1. Timely payment of taxes
2. earning foreign exchange
3. **creating goodwill**
4. political stability

SOLUTION

Timely payment of taxes, earning foreign exchange, creating goodwill, political stability -
Creating goodwill

Exercise 1 | Q 5.4 | Page 129

Find the odd one.

1. Protection of environment
2. **maintain transparency**
3. employment generation
4. development of the backward region

SOLUTION

Protection of the environment, maintain transparency, employment generation,
development of the backward region - **Maintain transparency.**

Exercise 1 | Q 5.5 | Page 129

Find the odd one.

1. The proper conduct of the meeting
2. careful use of capital
3. **fair prices of products**
4. maintain solvency and prestige

SOLUTION

The proper conduct of the meeting, careful use of capital, fair prices of products,
maintain solvency, and prestige - **Fair prices of products**

Exercise 1 | Q 6.1 | Page 129

Complete the sentence.

Business organisation can maximize profitability by _____ wastage.

SOLUTION

A business organisation can maximize profitability by Minimizing wastage.

Exercise 1 | Q 6.2 | Page 129

Complete the sentence.

Social responsibility is broader than _____ responsibility.

SOLUTION

Social responsibility is broader than Legal responsibility.

Exercise 1 | Q 6.3 | Page 129

Complete the sentence.

The concept of trusteeship was propounded by _____.

SOLUTION

The concept of trusteeship was propounded by Mahatma Gandhi.

Exercise 1 | Q 6.4 | Page 129

Complete the sentence.

Business should earn _____ profit.

SOLUTION

The business should earn Reasonable profit.

Exercise 1 | Q 6.5 | Page 129

Complete the sentence.

_____ should be fixed according to the nature and importance of work.

SOLUTION

Remuneration should be fixed according to the nature and importance of work.

Exercise 1 | Q 6.6 | Page 129

Complete the sentence.

The word 'Ethics' is derived from the Greek word _____

SOLUTION

The word 'Ethics' is derived from the Greek word ' Ethos .

Exercise 1 | Q 7 | Page 129

Select the correct option.

(Responsibilities towards shareholders, responsibilities towards consumers, Responsibilities towards the government, Responsibilities towards society)

Group A	Group B
1) After-sales service	_____

2) Timely payment of proper taxes	_____
3) _____	Protest Anti Social Activities
4) _____	Fair practices on the stock exchange

SOLUTION

Group A	Group B
1) After-sales service	<u>consumer</u>
2) Timely payment of proper taxes	<u>Government</u>
3) <u>Society</u>	Protest Anti Social Activities
4) <u>Shareholders</u>	Fair practices on the stock exchange

Exercise 1 | Q 8.1 | Page 130

Answer in one sentence.

Who can raise voice against business malpractices?

SOLUTION

Media can raise voice against business malpractices and exploitation of consumers.

Exercise 1 | Q 8.2 | Page 130

Answer in one sentence.

What should be done by management to keep workers updated?

SOLUTION

Management should make every possible attempt to educate and train employees to keep them updated.

Exercise 1 | Q 8.3 | Page 130

Answer in one sentence.

What type of advertising should be avoided?

SOLUTION

The false, misleading, and vulgar advertisement should be avoided.

Exercise 1 | Q 8.4 | Page 130

Answer in one sentence.

What organization should do to improve the quality of goods and to reduce the cost of production?

SOLUTION

The organization should conduct research and development to improve the quality of goods and to reduce the cost of production.

Exercise 1 | Q 9.01 | Page 130

Correct the underlined word and rewrite the sentence.

Social responsibility is a narrower term than legal responsibility of business.

SOLUTION

Social responsibility is broader term than the legal responsibility of business.

Exercise 1 | Q 9.02 | Page 130

Correct the underlined word and rewrite the sentence.

All sorts of fair practices related to stock exchange should be avoided.

SOLUTION

All sorts of unfair practices related to stock exchange should be avoided.

Exercise 1 | Q 9.03 | Page 130

Correct the underlined word and rewrite the sentence.

Management and union should agree strikes and lockouts protect the interest of both the parties.

SOLUTION

Management and union should ban strikes and lockouts to protect the interest of both parties.

Exercise 1 | Q 9.04 | Page 130

Correct the underlined word and rewrite the sentence.

MRP (Maximum Retail Price) should not be printed on every packet.

SOLUTION

MRP (Maximum Retail Price) should be printed on every packet.

Exercise 1 | Q 9.05 | Page 130

Correct the underlined word and rewrite the sentence.

Dishonest advertising can be appreciated by customers in the long run.

SOLUTION

Honest advertising can be appreciated by customers in the long run.

Exercise 1 | Q 9.06 | Page 130

Correct the underlined word and rewrite the sentence.

Financial help should be provided by business organizations for anti-social activities.

SOLUTION

Financial help **should not be** provided by business organizations for anti-social activities.

Exercise 1 | Q 9.07 | Page 130

Correct the underlined word and rewrite the sentence.

Business ethics is a compulsory term.

SOLUTION

Business ethics is a **voluntary** term.

Exercise 1 | Q 9.08 | Page 130

Correct the underlined word and rewrite the sentence.

Business ethics is not a relative term.

SOLUTION

Business ethics is a **relative** term.

Exercise 1 | Q 9.09 | Page 130

Correct the underlined word and rewrite the sentence.

Social values are based on perceptions of right or wrong.

SOLUTION

Moral values are based on perceptions of right or wrong.

Exercise 1 | Q 9.10 | Page 130

Correct the underlined word and rewrite the sentence.

Moral values provide general guidelines for social conduct.

SOLUTION

Social values provide general guidelines for social conduct.

EXERCISE 2 [PAGE 130]

Exercise 2 | Q 1 | Page 130

Explain the following term/concept.

Social responsibility

SOLUTION

Social responsibility of business refers to its obligation to make those decisions and perform those actions which are desirable in terms of the objectives and values of our

society. So, all the activities of the business should be performed in such a manner that they will not harm any part of society rather they will protect and contribute to the interest of society.

Exercise 2 | Q 2 | Page 130

Explain the following term/concept.

Concept of Trusteeship

SOLUTION

Trusteeship is a socioeconomic philosophy that was propounded by Mahatma Gandhi. It provides a means by which the wealthy people would be the trustees of trusts that looked after the welfare of the people in general. Businessmen are considered to be trustworthy in society.

Exercise 2 | Q 3 | Page 130

Explain the following term/concept.

Business ethics

SOLUTION

The word 'Ethics' is derived from the Greek word 'Ethos' which means character. Ethics means the set of rules and principles that the organization should follow while the business ethics refer to a code of conduct that businesses are expected to follow while doing business.

Exercise 2 | Q 4 | Page 130

Explain the following term/concept.

Moral Values

SOLUTION

Moral values are based on perceptions of right and wrong whereas social values may also include ideas about things being socially acceptable. Social values are often based on tradition, ego, honesty, integrity, fairness, hard work, cooperation, forgiveness, never hurt anyone, etc.

Exercise 2 | Q 5 | Page 130

Explain the following term/concept.

Social values

SOLUTION

Social values form an important part of the culture of the society. They provide general guidelines for social conduct. Values such as fundamental rights, patriotism, respect for human dignity, rationality, sacrifice, equality, democracy, etc. influence our behavior in many ways.

EXERCISE 3 [PAGES 130 - 131]

Exercise 3 | Q 1 | Page 130

Study the following case/situation and express your opinion.

Yashwant Co. Ltd. is providing facilities for their female staff like a daycare center for kids and work from home facility. Even management takes their suggestions while taking the decisions though they are members of trade union

- i) By doing this they are following social responsibilities towards which interest groups?
- ii) What values are they presenting?
- iii) What kind of responsibilities employer follows in the above case?

SOLUTION

- i. By treating the staff with dignity and respect the company follows the social responsibilities towards the employees.
- ii. Yashwant Co. Ltd. is presenting social values by showing co-operation to their female staff.
- iii. Management takes the employee's suggestions while taking decisions even though they are members of a trade union. By doing this, management recognizes the right of employees to join Trade Unions. The company also does not restrict employees from forming Trade Union. Thus they follow social responsibility towards employees.

Exercise 3 | Q 2 | Page 131

Study the following case/situation and express your opinion.

Organization manufacturing paint has been enjoying a prominent market position for many years. It has been dumping its untreated poisonous waste on the riverbank: which has created many health problems for the nearby villages.

- i) Which responsibility is neglected by the manufacturing organizations?
- ii) What kind of pollution they are doing?
- iii) What precautionary measures do they need to take?

SOLUTION

- i. Responsibility towards the protection of the environment is neglected by manufacturing industries.
- ii. They are creating water pollution by dumping its untreated poisonous waste on the river bank.
- iii. Proper waste management techniques should be adopted by the organization under which waste should be reduced, effort should be made to reuse the waste. Waste that cannot be reduced or reused should be recycled.

Exercise 3 | Q 3 | Page 131

Study the following case/situation and express your opinion.

A vehicle manufacturing company has adopted the following practices.

- A) Only those components will be used by the company which is environment friendly.
- B) There will be a discharge of harmful wastes only after their proper treatment.
- C) The pollution level of every vehicle will be maintained as per international standards.

i) by doing this, the business organization follows social responsibility towards which interest group?

ii) What kind of pollution do they want to avoid?

iii) What kind of message do they want to convey?

SOLUTION

- i. The business organization follows social responsibility towards society for the protection of the environment.
- ii. They want to avoid air pollution.
- iii. They want to convey the message that businesses should be committed to protecting the environment and should not create an imbalance in nature.

EXERCISE 4 [PAGE 131]

Exercise 4 | Q 1 | Page 131

Answer in brief.

Give any four types of social responsibilities towards consumers.

SOLUTION

The following are some of the social responsibilities of consumers.

1. Good Quality Products:

The organization should produce quality goods. Every organization should have its quality control department so inferior and substandard products can be rejected. International Standard Organization (ISO), is the latest trend towards quality control. This ensures customers about quality products.

2. Fair Prices:

The consumers should not be cheated by charging high prices. It is not possible to fool the customer at all the time. Fair price converts a one-time consumer into a permanent consumer. Maximum Retail Price (M.R.P.) inclusive of all taxes should be printed on every packet. The retailer should not charge any extra amount.

3. **Customer's Safety:**

The business must ensure that the product supplied will not adversely affect the life and health of the customers. Unsafe products should not be marketed. Consumers should be warned of any unsafe goods.

4. **Honest Advertising:**

The consumers want to know the facts, features, advantages, side-effects, etc. of the products. The advertisement conveys this information. So the organization must be sure that the advertisement is not being misleading. The false, misleading, and vulgar advertisements should be avoided. Consumers will appreciate only honest advertisements in the long run.

Exercise 4 | Q 2.1 | Page 131

Answer in brief.

What is business ethics?

SOLUTION

The word 'Ethics' is derived from the Greek word 'Ethos' which means character. Ethics means the set of rules and principles that the organization should follow while the business ethics refer to a code of conduct that businesses are expected to follow while doing business. Through ethics, a standard is set for the organization to regulate their behavior. This helps them in distinguishing between the wrong and the right path of the business. Ethics is a branch of social science.

Exercise 4 | Q 2.2 | Page 131

Answer in brief.

What are the elements of business ethics?

SOLUTION

Elements of business ethics are as follows:

1. **Code of conduct:**

Business ethics is a code of conduct. It tells what to do and what not to for the welfare of the society. All businessmen must follow this code of conduct.

2. **Based on moral and social values:**

It contains moral and social principles (rules) for doing business. This includes self-control, consumer protection, and welfare, service to society, fair treatment to the social groups not to exploit others, etc.

3. **Gives protection to social groups:**

Business ethics give protection to different social groups such as consumers, employee small businessmen, government, shareholders, creditors, etc.

4. **Provides basic framework:**

It gives the social, cultural, economic, legal, and other limits of business.

Business must be conducted within these limits.

5. **Voluntary:**

The businessmen must accept business ethics on their own. Business ethics must be like self-discipline. It must not be enforced by law.

6. **Requires education and guidance:**

Businessmen must be given proper education and guidance before introducing business ethics. The businessman must be motivated to implement business ethics.

7. **Relative term:**

Business ethics change from business to business. It also changes from one country to another. What is considered good in one country may be banned in another country.

8. **New concept:**

Business ethics is a newer concept. It is strictly followed only in developed countries and not in poor and developing countries.

Exercise 4 | Q 3 | Page 131

Answer in brief.

State responsibilities of business towards the government.

SOLUTION

Responsibilities Towards Government:

The following are the responsibilities of the organization towards the government.

1. **Timely Payment of Taxes:**

The government imposes various types of taxes like sales tax, income tax, wealth tax etc. Business units should pay these taxes from time to time. It would be difficult for the government to undertake development projects without availability of funds.

2. **Observing rules and regulations:**

The rules framed by the government for business should be fully complied with. The business should follow the laws regarding obtaining a license for a specified business, the operation of the business, price determination and production, etc. They should conduct business in a lawful manner.

3. **Earning Foreign Exchange:**

The government also expects from a business organizations that it will earn foreign exchange by exporting goods. The government requires this foreign exchange for importing various goods. valuable and important products.

4. **Economic Development:**

The government sets the targets for the balanced and rapid economic development of the country. The business organization should provide necessary cooperation to the government.

5. **Implementing Socio-Economic Policies:**

The government expects cooperation and help from the business sector in implementing socio-economic programs and policies.

6. **Suggestions to the Government:**

The business organization can provide suggestions to the government before framing important policies such as Industrial Policy, Import-Export Policy, Licensing Policy, etc. Such suggestions are helpful for framing organization-friendly policies.

7. **No favors:**

The commercial organization should not take any favor from the government officials by bribing or influencing them.

8. **Contributing to Government Treasury:**

The Commercial organization must contribute the funds to the government during the emergencies and natural calamities like floods, earthquakes, etc.

Exercise 4 | Q 4 | Page 131

Answer in brief.

State any four CSR activities.

SOLUTION

The following are some of the CSR activities.

1. Eradicating hunger, poverty & malnutrition, promoting preventive health care & sanitation & making available safe drinking water.
2. Promoting education, including special education & employment enhancing vocation skills, especially among children, women, elderly & the differently-abled & livelihood enhancement projects.
3. Employment enhancing vocational skills.
4. Measures for the benefit of armed forces veterans, war widows & their dependents.
5. Rural development projects, etc.
6. Slum area development.

EXERCISE 5 [PAGE 131]

Exercise 5 | Q 1 | Page 131

Justify the following statement.

The role of media has a major influence on business organizations.

SOLUTION

1. Media refers to the various means used by advertisers to inform the public about the products or services. The mass media include the press, social media, radio, and television. Active media plays a crucial role in the life of the people. Through the internet, the reach of social media to common people has become very easy.
2. Media has the efficiency to disburse any information, wrong policy, unfair trade practice adopted by any business organization at a very fast pace to the public at large that too at every corner of the world. The media is very vibrant and active.
3. Media connects the people and creates an influence on the masses. It can make propaganda (or raise voice) against business malpractices and exploitation of consumers. It can do publicity through the repetition of messages by different means.
4. Newspapers, radio, television, the internet, social media, etc. can easily give publicity to unfair practices of business organizations. So, media makes business organizations understand social values and exerts major influence.

Exercise 5 | Q 2 | Page 131

Justify the following statement.

The business should allow workers to participate in management.

SOLUTION

1. Workers are the real architects of success in any business unit. Investments in human resources (capital) gives rich rewards in the long run.
2. The success and failure of the business organizations to a greater extent depend on the support and participation of employees. Therefore, business organizations should encourage workers to participate in management through various schemes like giving suggestions, saving costs. quality circles, profit sharing co-ownership, etc.
3. When workers are given the opportunity to participate in the management, it will raise their morale. This in turn will give the workers a sense of belongingness. They will take an active part in the completion of the work assigned to them.

4. Workers' participation in management enables the organization to win the confidence of employees. It creates and maintains a good, healthy, and improved relationship between labor and management which is necessary for the success of any organization.

Exercise 5 | Q 3 | Page 131

Justify the following statement.

Expectations of society towards business are changing.

SOLUTION

1. Today the world is changing and expanding very fast. Social demands have changed gradually over the years. The business has to respond to them positively.
2. Now the people all over the globe are well aware of their rights. The overall knowledge level has also increased. In order to fulfill the growing needs of the people, the business firm must operate as per the expectations of society. Business units must give society what it actually wants.
3. Consumer satisfaction is the ultimate purpose of business activities. A business organization must give priority to consumer satisfaction over profit motive. Its survival, progress, and reputation depend upon consumer satisfaction. It must win the confidence of its customers by giving them useful services.
4. Business organizations are expected to action broad public interest and serve the objectives of mankind and society at large along with the objectives of earning profit. It must provide quality products to society at reasonable prices and above all contribute to social welfare.

Exercise 5 | Q 4 | Page 131

Justify the following statement.

Business organizations should avoid environmental pollution and ecological imbalance.

SOLUTION

1. The functioning of business units and industrialization creates air, water, and sound pollution. The carbon particles, dust, harmful gases, chemicals, etc. create air pollution.
2. Harmful chemicals, untreated sewage, industrial waste, fertilizers, pesticides, refuse, e-waste, etc. when get mixed with water, creates water pollution. Airplanes, motor vehicles, construction machines, and industrial equipment create sound pollution.

3. The business organizations are expected to take all possible measures to prevent air, water, and sound pollution and to maintain the ecological balance. For the well-being of society, every organization should assist the concerned organizations engaged in pollution control programs such as plantation of trees, preservation of wildlife, and natural resources.
4. Protecting the environment and maintaining the ecological balance in the following manner:
 - (i) Business organizations save costs and money by minimizing waste.
 - (ii) Business organizations that follow green practices (plantation of more and more trees) get support from customers.
 - (iii) Business organizations that take precautions to protect the environment create awareness among employees.
 - (iv) Protection of the environment process cut carbon emissions and create conditions for green growth which is beneficial to society.
 - (v) Business organizations showing awareness of environment protection get support and encouragement from the government. Thus, business organizations should avoid environmental pollution and ecological imbalance.

Exercise 5 | Q 5 | Page 131

Justify the following statement.

All sorts of unfair practices related to stock exchange should be avoided.

SOLUTION

1. The persons who provide finance for the short term as well as for the long term to the company are called owners or investors. They invest their money and accept the risk factors. Management is expected to provide full and factual information about the financial performance of the company to the owners and investors.
2. The Securities and Exchange Board of India (SEBI) plays a pivotal role in regulating and maintaining the interests of investors in the securities market. Law prohibits any sort of activity that is manipulative or unfair in the securities market. Thus, business organizations must avoid unfair practices related to stock exchange like insider trading providing wrong and secret information about buying/selling or dealing with securities, etc. Any breach in the above-mentioned practices may be considered unlawful and be made accountable by SEBI.

3. Therefore, a business organization should consider responsibilities toward the owners and should avoid all sorts of unfair practices related to the stock exchange.

Exercise 5 | Q 6 | Page 131

Justify the following statement.

Business ethics contains moral and social values for doing business.

SOLUTION

1. Business Ethics refers to the code of conduct that a business organization is expected to follow while doing business. According to "Wheeler", "Business ethics is an art or science of maintaining a harmonious relationship with society, its various groups, and institutions as well as recognizing the moral responsibility for right or wrong conduct of business.' "
2. Moral values are based on perceptions of right and wrong. They provide the general guidelines for distinguishing between wrong and right path of business, between good and bad, fair and unfair, just and unjust, legal and illegal, proper and improper in respect to human actions. Ethics contain moral values for doing business, Honesty, transparency, fairness, integrity, etc. are moral values that create goodwill and gives an economic gain in the long run.
3. Social values form an important part of the culture of the society. They provide general guidelines for social conduct. Values such as fundamental rights, patriotism, respect for human dignity, rationality, sacrifice, equality, democracy, etc. influence our behavior in many ways. These social values made the business socially acceptable. As business is a part of society, it can be successful in the long run by adopting social values.

Exercise 5 | Q 7 | Page 131

Justify the following statement.

Business ethics can be considered as a tool for social development.

SOLUTION

1. Business ethics is a code of conduct that evolved for regulating the activities of business towards society and others.
2. It calls for the importance of fair treatment to be given to the consumers, workers, suppliers, shareholders, competitors, government, and the community at large. Business ethics promote the principles of honesty, sincerity, fairness, justice in business dealings.
3. It protects the interests of all the constituents of society. It creates a healthy and competitive business atmosphere. It induces businessmen to introduce social

security and welfare measures.

4. The businessmen promote activities enhancing the cultural values of the society. Thus, business ethics, if practiced by businessmen in the right spirit, can be considered as a tool for social development.

EXERCISE 6 [PAGE 131]

Exercise 6 | Q 1 | Page 131

Attempt the following.

What is the social responsibility of commercial organizations? towards consumers?

SOLUTION

social responsibility of the commercial organizations. towards consumers are as follows:

1. **Good Quality Products:**
The organization should produce quality goods. Every organization should have its quality control department so inferior and substandard products can be rejected. International Standard Organization (ISO), is the latest trend towards quality control. This ensures customers about quality products.
2. ***Fair Prices:**
The consumers should not be cheated by charging high prices. It is not possible to fool the customer at all the time. Fair price converts a one-time consumer into a permanent consumer. Maximum Retail Price (M.R.P.) inclusive of all taxes should be printed on every packet. The retailer should not charge any extra amount.
3. **Customer's Safety:**
The business must ensure that the product supplied will not adversely affect the life and health of the customers. Unsafe products should not be marketed. The consumer should be warned of any unsafe goods.
4. **Honest Advertising:**
The consumers want to know the facts, features, advantages, side-effects, etc. of the products. The advertisement conveys this information. So the organization must be sure that the advertisement is not being misleading. The false, misleading, and vulgar advertisement should be avoided. Consumers will appreciate only honest advertisements in the long run.
5. **After Sales Service:**
The organization is expected to provide after-sales service for the maintenance of goods during the period of warranty. Efficient and effective after-sale service helps to establish a good relationship between the consumers and the organization.

6. Research and Development:

Organization should conduct research and development to improve the quality of goods and to reduce the cost of production. This will minimize the final prices charged to consumers. It must provide quality standards such as BIS or AGMARK on respective products.

7. Regular Supply:

Consumers should be supplied with the goods regularly as and when required by them. The commercial organization should not create an artificial shortage of goods by hoarding and black marketing.

8. Attend Complaints:

Consumer complaints must be attended immediately. A quick and effective grievances redressal system should be implemented. Suggestions for customers should be welcomed.

9. Training:

The business organization should arrange training for their consumers either free or by charging reasonable fees.

10. Avoid Customer Exploitation:

The business should avoid unfair trade practices which lead to exploitation of consumers. Also, they should avoid monopolistic competition in the interest of consumers.

Exercise 6 | Q 2 | Page 131

Attempt the following.

State different types of responsibilities towards society.

SOLUTION

A business organization has certain responsibilities towards the society at a large they are as under

1. Protection of the environment:

Pollution is the major problem of present times. Air pollution and water pollution are due to industries, chemical plants, cement plants, etc. The business organization should take all possible measures to minimize pollution.

2. Better and Maximum Use of Resources:

The business organization should make proper and optimum use of scarce resources. The resources like fuel, water, land, etc. must be used efficiently.

3. Reservation for Weaker Section:

The organization is expected to reserve certain positions in their establishment for economically weaker sections of the society to lift up the economically weaker section of the society. These people expect financial and other help from the business unit; which will be provided time to time.

4. Development of Backward Regions:

The society requires that the business organization should be started in backward areas. This will create employment opportunities and increases purchasing power among the rural people. Thereby, helping backward regions to develop.

5. Protest against Anti-Social Activities:

Business organizations should not participate in anti-social activities. It will adversely affect society. No financial help should be provided for that. Smuggling, association with underworld people, bribing government people should be avoided.

6. Financial Assistance:

Society expects donations and financial assistance for various social causes such as eradication of poverty, illiteracy, etc. They expect the business organizations to provide financial assistance to various awareness programs such as anti-drug campaigns, antinomies pollution campaigns, etc.

7. Prevent Congestions:

The business should avoid the congestion of industries in cities by spreading industries in different places or locations. Industries should be preferably located in industrial zones only. It will avoid adverse effects on residential areas.

8. Employment Generation:

The business should provide large employment opportunities for all sections of society. It can be done through expansion and diversification programs. Such an effort will help to solve the problem of unemployment, poverty in society.

Exercise 6 | Q 3 | Page 131

Attempt the following.

Describe the responsibilities of commercial organizations towards investors.

SOLUTION

Responsibilities Towards Investors:

Investors provide finance to the company. They are creditors of the business. The business should fulfill the following responsibilities towards the investors.

1. Proper Conduct of Meetings:

The company should call meetings of investors and provide information about the business. Proper notices of the meeting should be sent to them. In a period of crisis, investors should be taken into confidence. Factors responsible for failure should be known to the investor.

2. Return on Investment:

Investors invest their money in business and accept risk factors. They should get fair returns on investment regularly in the form of interest. The following points should be considered a. Fair returns on investment b. Safety of investment. c. Steady appreciation of business.

3. Handling Grievances:

A company should handle investor's grievances if any. There should be an effective methodology for this. All queries regarding any other issue must be answered in a satisfactory way.

4. Maintain Transparency:

Investors provide long term capital as well as working capital to run the business efficiently. So it should maintain a high degree of transparency in its operation.

5. Proper Disclosure of Information:

Management should present full and factual information to investors. They should get regular reports, circulars, and statements of profit. The financial performance of the company must be provided correctly so that prospective investors can make the right decisions to invest in the future. All of this will ensure that their investment is safe.

6. Maintain Solvency and Prestige:

The business should maintain a sound financial position, solvency, prestige, and goodwill to satisfy investors. The business should take continuous efforts for research, innovation, and expansion programme.

Exercise 6 | Q 4 | Page 131

Attempt the following.

Describe the features of business ethics.

SOLUTION

Features of Business Ethics

1. Code of conduct:

Business ethics is a code of conduct. It tells what to do and what not to for the welfare of the society. All businessmen must follow this code of conduct.

2. Based on moral and social values:

It contains moral and social principles (rules) for doing business. This includes self-control, consumer protection, and welfare, service to society, fair treatment to the social group not to exploit others, etc.

3. Gives protection to social groups:

Business ethics give protection to different social groups such as consumers, employee small businessmen, government, shareholders, creditors, etc.

4. Provides basic framework:

It gives the social, cultural, economic, legal, and other limits of business. Business must be conducted within these limits.

5. Voluntary:

The businessmen must accept business ethics on their own. Business ethics must be like self-discipline. It must not be enforced by law.

6. Requires education and guidance:

Businessmen must be given proper education and guidance before introducing business ethics. The businessman must be motivated to implement business ethics.

7. Relative term:

Business ethics change from business to business. It also changes from one country to another. What is considered good in one country may be banned in another country.

8. New concept:

Business ethics is a newer concept. It is strictly followed only in developed countries and not in poor and developing countries.

Exercise 6 | Q 5 | Page 131

Attempt the following.

What is corporate social responsibility?

SOLUTION

Corporate Social Responsibility (CSR) is a self-regulating business model, aims to contribute to societal goals or support volunteering or ethically-oriented practices. It makes a company socially responsible and accountable. This accountability is towards itself, its stakeholders, the public in general, etc. By practicing social responsibility, companies can be conscious of the economic, social, and environmental aspects of society.

Applicability of CSR:

1. The companies having a Net worth of 1500 Cr. or more or Turnover of 1000 Cr. or more; or Net Profit of 15 Cr. or more during any financial year shall be required to constitute a Corporate Social Responsibility Committee of the Board with effect from 1st April 2014.
2. The Board's report shall disclose the compositions of the CSR Committee.
3. All companies shall spend, in every financial year, at least 2% of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.
4. The companies shall be required to incorporate in its Board's report, an annual report on CSR.

EXERCISE 7 [PAGE 132]

Exercise 7 | Q 1 | Page 132

Answer the following.

Explain the responsibilities of business towards employees?

SOLUTION

The business has the following responsibility towards employees

1. **Job security:**
The security of the job provides mental peace and employees can work with full dedication and concentration. Commitment to the work will raise their morale and loyalty towards the organization.
2. **Fair Remuneration:**
The business should pay attractive salaries to all its employees. Other incentives like bonuses, overtime allowance, etc. should be given to them. Remuneration should be fixed according to the nature of work. Suitable wage plans providing

increments and revision of wages is also essential.

3. Health and Safety Measures:

The business should protect the health and hygiene of employees. Canteen facilities, medical facilities, and proper sanitation must be provided to the workers. Proper maintenance of machines and premises must be done to prevent accidents and to control pollution. Safety equipment like hand gloves, safety shoes, helmets, goggles, masks, etc. should be provided to concerned employees.

4. Good Working Condition:

The employees should be provided with good working conditions such as adequate lighting, ventilation, drinking water, etc. Necessary steps should be taken to avoid air, water, and sound pollution. There should be proper working hours with lunch breaks and rest pauses etc.

5. Recognition of Trade Unions:

It is the responsibility of the business organizations to maintain industrial peace. Employers must recognize the workers' right to join a trade union. Employers should not restrict employees from forming a trade union. 'Divide and Rule' policy should not be followed. Management should sort out various problems of workers by holding talks or negotiations with such unions.

6. Education and Training:

The organization should make every possible attempt to educate employees. Guidance and methods of training depend on the nature of the job 'Introduction Training', 'Refresher Training' is conducted to keep employees updated on the latest development. Training makes employees confident and also it increases their efficiency.

7. Workers Participation in Management:

The workers must be encouraged to take part in management by forming the worker's committee. Suggestion schemes, profit sharing can be encouraged by management. It will raise their morale and give them a sense of belonging.

8. Promotion and Career Opportunities.

The business should offer adequate opportunities for promotion to its talented employees. They should give proper information about the qualifications, skills, and experience required to. Obtain promotion. It will increase awareness among employees and they will also be motivated to take efforts.

9. Proper Grievance Procedure:

There should be a proper grievance procedure to handle employees' complaints. All queries should be sorted quickly. The employees must feel satisfied. Investigations and necessary actions should be taken to settle their grievances.

10. Miscellaneous

- a. Fair treatment to all employees.
- b. To recognize, appreciate, and encourage the special skills of employees.
- c. To introduce a code of conduct.
- d. To provide an opportunity for meaningful work and to recognize goals.
- e. To protect the religious, social, political rights of employees.
- f. Allowing the formation of informal groups.

Exercise 7 | Q 2.1 | Page 132

Answer the following.

Define the concept of social responsibility.

SOLUTION

Concept of Social Responsibility

Social responsibility of business refers to its obligation to make those decisions and perform those actions which are desirable in terms of the objectives and values of our society. So, all the activities of the business should be performed in such a manner that they will not harm any part of society rather they will protect and contribute to the interest of society.

Definitions:

Howard D. Bowen - 'Social Responsibility is to pursue those policies to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.' The concept of social responsibility has been followed in India since ancient times. Philosophers like Chanakya from India and pre-Christians era philosophers in the west preached and promoted ethical principles while doing business. In other words, social responsibility involves an element of voluntary action on the part of business people for the benefit of society.

Exercise 7 | Q 2.2 | Page 132

Answer the following.

what is the need for social responsibility?

SOLUTION

Need for Social responsibility

A business organization is run by the profit motive but profit maximization should not be the sole aim. Commitment to society is also important. The following points bring out the need for social responsibility of business

1. **Concept of Trusteeship:**

Trusteeship is a socioeconomic philosophy that was propounded by Mahatma

Gandhi. It provides a means by which the wealthy people would be the trustees of trusts that looked after the welfare of the people in general. Businessmen are considered to be trustworthy in society.

2. **Changing expectations of society:**

Society's expectations from business firms have undergone a drastic change over the years. In the early days, the business was viewed only as a provider of goods and services. But today society expects businesses to be responsible citizens and contribute towards social welfare.

3. **Reputation:**

Businesses spend a huge amount of resources in brand building and strengthening their image. A socially responsible company enjoys a good reputation in the society. It results in increased sales, profitability, the attraction of talent, and sustained growth.

4. **Protection of Environment:**

Business organizations should make proper use of the country's natural resources. They should avoid environmental degradation such as contamination of water resources, depletion of the ozone layer, etc. which have been caused by businesses.

5. **Optimum Utilization of Resources:**

Modern businesses have a huge amount of resources at their disposal. With such large resources, businesses are in a better position to protect society's interests. Wastage of resources should be avoided.

6. **The pressure of the trade Union:**

Trade unions are growing fast and play important role in the business environment. Workers expect management to provide fair wages, bonuses, etc. to avoid conflicts between trade unions and management.

7. **Growth of Consumer Movement:**

Development of education and mass media and increasing competition in the market have made the consumers conscious of their rights and powers in determining market forces. So, business enterprises have to follow consumer-oriented policies.

8. **Government Control:**

From the point of view of a business, government regulations are undesirable because they limit freedom. The government has enacted various laws. This has put moral as well as the legal pressure on the business.

9. **Long term self-interest:**

A firm and its image stand to gain maximum profits in the long run when it has its highest goal as 'service to society' when an increasing number of members, of

society- including workers, consumers, shareholders, and government officials, feel that business enterprise is not serving their interest, they will tend to withdraw their cooperation to the enterprise concerned so in their own self-interest, a firm fulfills its social responsibility.

10. Complexities of Social Problems:

Some of the social problems have been created by business firms themselves such as pollution, unsafe workplaces, discrimination, etc. It is the moral obligation of business to solve such social problems.

11. Globalization:

The entire globe is the market place nowadays. It provides more opportunities and challenges to business. International trade barriers have reduced and resulted in the global distribution of goods and services. Countries that have adopted good practices are influencing the world.

12. Role of Media:

Media plays important role in public life. Due to the internet, it is easier to reach a common man. The media is very vibrant and active. It can influence the masses in society. Media can raise voice against business malpractices and exploitation of consumers. Business should not ignore social values.

Exercise 7 | Q 3 | Page 132

Attempt the following.

State different types of responsibilities towards society.

SOLUTION

A business organization has certain responsibilities towards the society at a large they are as under

1. Protection of the environment:

Pollution is the major problem of present times. Air pollution and water pollution are due to industries, chemical plants, cement plants, etc. The business organization should take all possible measures to minimize pollution.

2. Better and Maximum Use of Resources:

The business organization should make proper and optimum use of scarce resources. The resources like fuel, water, land, etc. must be used efficiently.

3. Reservation for Weaker Section:

The organization is expected to reserve certain positions in their establishment for economically weaker sections of the society to lift up the economically weaker section of the society. These people expect financial and other help from the business unit; which will be provided time to time.

4. **Development of Backward Regions:**

The society requires that the business organization should be started in backward areas. This will create employment opportunities and increases purchasing power among the rural people. Thereby, helping backward regions to develop.

5. **Protest against Anti-Social Activities:**

Business organizations should not participate in anti-social activities. It will adversely affect society. No financial help should be provided for that. Smuggling, association with underworld people, bribing government people should be avoided.

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Society expects donations and financial assistance for various social causes such as eradication of poverty, illiteracy, etc. They expect the business organizations to provide financial assistance to various awareness programs such as anti-drug campaigns, antinomies pollution campaigns, etc.

7. **Prevent Congestions:**

The business should avoid the congestion of industries in cities by spreading industries in different places or locations. Industries should be preferably located in industrial zones only. It will avoid adverse effects on residential areas.

8. **Employment Generation:**

The business should provide large employment opportunities for all sections of society. It can be done through expansion and diversification programs. Such an effort will help to solve the problem of unemployment, poverty in society.

Exercise 7 | Q 4.1 | Page 132

Answer the following.

What are the responsibilities of business towards the Investors?

SOLUTION

Responsibilities Towards Investors:

Investors provide finance to the company. They are creditors of the business. Businesses should fulfill the following responsibilities towards investors.

1. **Proper Conduct of Meetings:**

The company should call meetings of investors and provide information about the business. Proper notices of the meeting should be sent to them. In a period of crisis, investors should be taken into confidence. Factors responsible for failure should be known to the investor.

2. **Return on Investment:**

Investors invest their money in business and accept risk factors. They should get

fair returns on investment regularly in the form of interest. The following points should be considered

- a. Fair returns on investment
- b. Safety of investment.
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A company should handle investor's grievances if any. There should be an effective methodology for this. All queries regarding any other issue must be answered in a satisfactory way.

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Management should present full and factual information to investors. They should get regular reports, circulars, and statements of profit. The financial performance of the company must be provided correctly so that prospective investors can make the right decisions to invest in the future. All of this will ensure that their investment is safe.

6. Maintain Solvency and Prestige:

Businesses should maintain a sound financial position, solvency, prestige, and goodwill to satisfy investors. Businesses should take continuous efforts for research, innovation, and expansion programme.

Exercise 7 | Q 4.2 | Page 132

Answer the following.

What are the responsibilities of business towards the government?

SOLUTION

Responsibilities Towards Government:

The following are the responsibilities of the organization towards the government.

1. Timely Payment of Taxes:

The government imposes various types of taxes like sales tax, income tax, wealth tax, etc. Business units should pay these taxes from time to time. It would be difficult for the government to undertake development projects without the availability of funds.

2. Observing rules and regulations:

The rules framed by the government for business should be fully complied with.

The business should follow the laws regarding obtaining a license for a specified business, the operation of the business, price determination and production, etc. They should conduct business in a lawful manner.

3. Earning Foreign Exchange:

The government also expects from a business organizations that it will earn foreign exchange by exporting goods. The government requires this foreign exchange for importing various goods. valuable and important products.

4. Economic Development:

The government sets the targets for the balanced and rapid economic development of the country.

The business organization should provide necessary cooperation to the government.

5. Implementing Socio-Economic Policies:

The government expects cooperation and help from the business sector in implementing socio-economic programs and policies.

6. Suggestions to the Government:

The business organization can provide suggestions to the government before framing important policies such as Industrial Policy, Import-Export Policy, Licensing Policy, etc. Such suggestions are helpful for framing organization-friendly policies.

7. No favors:

The commercial organization should not take any favor from the government officials by bribing or influencing them.

8. Contributing to Government Treasury:

The Commercial organization must contribute the funds to the government during emergencies and natural calamities like floods, earthquakes, etc.