

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER – I - EXAMINATION – SUMMER 2022

Subject Code: 4519205**Date: 03/08/2022****Subject Name: Business Ethics & Corporate Governance****Time: 02:30 PM TO 05:30 PM****Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

| Q. No. | Question Text and Description | Marks |
|-------------------|---|----------------------------|
| Q.1 | Briefly explain the below mentioned terms. (a) Retributive Justice (b) Amoral Manager (c) Whistle Blowing (d) Agency Relationship (e) Shadow Director (f) Dual Board Structure (g) Audit Committee | 14 |
| Q.2 | (a) Explain the concept of Utilitarianism and its importance for Business Ethics. What are the major limitations of this theory? (b) Wipro and Tata Steel are the only Indian Companies to find a place in the Ethisphere Institute 2020 list of most ethical companies of the world. Why are ethical business practices becoming important for companies today? Discuss with examples. | 07 07 |
| OR | | |
| | (b) We live in a time, where we know the price of everything, but the value of nothing. Explain with relevant examples the concept of Morals and Values. What are the important distinctions between Values and Ethics? | 07 |
| Q.3 | (a) List and explain the various categories of management morality. What are some of the important drivers of unethical business behavior? (b) Ray Anderson, founder of Interface Inc. was well known for this personal ethics and exemplary corporate ethical behavior. With this example, discuss the importance Corporate Ethical Leadership for ethical business practices. | 07 07 |
| OR | | |
| Q.3 | (a) Discuss some of the important differences between Governance and Management with relevant examples. (b) Overuse of Creative Accounting was one of the reasons for the fall of Enron Inc., one of the largest energy companies in the world. Discuss the role of creative accounting in big corporate scandals and the possible steps that need to be taken avoid such scandals in future | 07 07 |
| Q.4 | (a) List and explain the important provisions of the Sarbanes Oxley Act, 2002 for effective Corporate Governance. | 07 |

- (b) SEBI may make mandatory the Governance and Value creation rating of companies for improving Corporate Governance of the economy. With this as a background, discuss the importance of Corporate Governance Rating and explain its methodology for companies who wish to be rated for CGR. **07**

OR

- Q.4** (a) Discuss the role and importance of Independent Directors for improved Corporate Governance. **07**
- (b) Does a building has social responsibility? A Corporation is like a building, the people working in it may have social responsibility but the company has no social responsibility – Milton Friedman **07**
Discuss this statement in light of your knowledge of CSR and its importance for companies.

Q.5 CASE STUDY:

Two years ago, in September, as Cox & Kings celebrated its 260th anniversary, Group chief executive officer Ajay Ajit “Peter” Kerkar shared anecdotes of the firm’s journey and its growth plans with an audience that included consuls and corporate heads. Wine flowed freely and a women’s band played at the event held at a Mumbai five-star hotel. The party, however, didn’t last long. A year later, the company went bust, leaving customers in the lurch and employees without jobs. And on November 26, Kerkar was arrested by the Enforcement Directorate (ED) on charges of money laundering and diverting the Rs 3,642 crore his group companies had taken in loans from Yes Bank and other banks. Kerkar has denied the charges. So was Kerkar, 56, duped by his employees, as he claims, or did a cocktail of greed, poor cost control and bad management bring the travel firm down?

The Kerkar family, headed by Ajit Baburao Kerkar (Peter Kerkar’s father), acquired Cox & Kings in 1981, buying 60 per cent of the shares. Kerkar, an anthropology and economics graduate from Stanford University, California, joined the firm in 1986 at its London office as a 20-something. Colleagues describe him as ambitious and intelligent, with a hands-off style of functioning — a man who saw himself more as a dealmaker than manager, as a former associate recalls. Born to a Maharashtrian father and Swiss mother, Kerkar schooled at Campion School, a Christian public institute in Fort in southwest Mumbai, before going to Stanford.

One hospitality executive recalls meeting Kerkar at the Centaur Hotel in Juhu — a six-acre strip of land abutting the beach and boasting enviable views. The Juhu Centaur, which later became Tulip Star, had its own troubles. Estimated to be worth thousands of crores, its ownership was mired in dispute. Tulip Star Hotel was acquired by Kerkar’s hotelier father and the Tulip Group from Air India’s subsidiary, Hotel Corporation of India, during the privatisation exercise undertaken by the National Democratic Alliance government in 2002.

However, a CBI inquiry following allegations of corruption in the sale complicated its rebuilding. The structure still stands and is now called V Hotel — semi-complete and running as a wedding facility for hire. The executive remembers that in the presence of his father, Kerkar remained largely silent.

The son was always low key. Neither a flashy dresser nor one for fancy cars, luxury watches or overt spending. During his visits to India, he would spend much time at the Belvedere Club at the Oberoi Hotel in Nariman Point, or was seen playing golf at the Willingdon Club or Chembur in Mumbai.

In London, Hampstead Golf Club was his haunt. He has homes in West Hampstead (London), Mumbai and Kerry (Ireland).

A travel and tourism competitor, who met Kerkar at corporate events, says, “He seemed to have many irons in the fire, and it was hard to tell how these businesses were all doing.” Kerkar’s ventures included budget hotels in Europe. According to reports, he would speak of his home in Kerry Island in the West Coast of Ireland and a love for dogs, cooking and collecting artworks, but top art galleries in Mumbai say they never did business with him and he was hardly ever in touch with them when in India. One travel agent, who worked with him, says, “A factor of mismanagement and greed went hand in hand, and that has led to where he is now.”

Tourism, he adds, is like pharmacy — “full of different verticals, and the fundamental mistake happens when you spend too much money on vanity projects, and I think that’s what happened.”

Another former employee says Kerkar, who had inherited the business from his father, behaved like an investor, not a promoter.

“Customer and employee complaints had been piling up for a few years, but nothing was done about them.” Today, Kerkar is in custody and all that is left of one of the world’s oldest travel companies is the story of a journey that ended badly.

Source : www.rediff.com/business/special/kerkar

- (a) Bring out the personal values of Peter Kerkar from the case? What individual traits of his were responsible for his unethical business behaviour ? **07**
- (b) Why did Peter Kerkar fail in his venture? What are the apparent reasons for his eventual arrest by ED? **07**

OR

- Q.5**
- (a) Peter Kerkar said that he was cheated by his employees. Do you find this to be true? Support your answer with data from the case. **07**
 - (b) Is Business Success incompatible with Ethics? Discuss using the case as a background for your views. **07**
