

NCERT SOLUTIONS

CLASS - 11th



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Class :11th

Subject : Business Studies

Chapter : 6

Chapter Name : Social responsibility of business and business ethics

Q1 Social responsibility is

- a. Same as legal responsibility
- b. Broader than legal responsibility
- c. Narrower than legal responsibility
- d. None of them

Answer. b. Broader than legal responsibility

Page : 160 , Block Name : Multiple Choice Questions

Q2 If business is to operate in a society which is full of diverse and complicated problems, it may have

- a. Little chance of success
- b. Great chance of success
- c. Little chance of failure
- d. No relation with success or failure.

Answer. a. Little chance of success

Page : 161 , Block Name : Multiple Choice Questions

Q3 Business people have the skills to solve

- a. All social problems
- b. Some social problems
- b. No social problems
- d. All economic problems

Answer. b. No social problems

Page : 161 , Block Name : Multiple Choice Questions

Q4 That an enterprise must behave as a good citizen is an example of its responsibility towards

- a. Owners
- b. Workers
- c. Consumers
- d. Community

Answer. d. Community

Page : 161 , Block Name : Multiple Choice Questions

Q5 Environmental protection can best be done by the efforts of

- a. Business people
- b. Government
- c. Scientists
- d. All the people

Answer. d. All the people

Page : 161 , Block Name : Multiple Choice Questions

Q6 Carbon monoxide emitted by automobiles directly contributes to

- a. Water pollution
- b. Noise pollution
- c. Land pollution
- d. Air pollution

Answer. d. Air pollution

Page : 161 , Block Name : Multiple Choice Questions

Q7 Which of the following can explain the need for pollution control?

- a. Cost savings
- b. Reduced risk of liability
- c. Reduction of health hazards
- d. All of them

Answer. d. All of them

Page : 161 , Block Name : Multiple Choice Questions

Q8 Which of the following is capable of doing maximum good to society?

- a. Business success
- b. Laws and regulations
- c. Ethics
- d. Professional management

Answer. c. Ethics

Page : 161 , Block Name : Multiple Choice Questions

Q9 Ethics is important for

- a. Top management
- b. Middle-level managers
- c. Non-managerial employees
- d. All of them

Answer. d. All of them

Page : 161 , Block Name : Multiple Choice Questions

Q10 Which of the following alone can ensure effective ethics programme in a business enterprise?

- a. Publication of a code
- b. Involvement of employees
- c. Establishment of compliance
- d. None of them mechanisms

Answer. a. Publication of a code

Page : 161 , Block Name : Multiple Choice Questions

Q1 What do you understand by social responsibility of business? How is it different from legal responsibility?

Answer. Social responsibility is broader than legal responsibility of business. Legal responsibility may be fulfilled by mere compliance with the law. Social responsibility is more than that. It is a firm's recognition of Social obligations even though not covered an law, along with the obligations laid down by law. In other words, social responsibility involves an element of voluntary action on the part of business people for the benefit of society.

Page : 161 , Block Name : Short Answer Questions

Q2 What is environment? What is environmental pollution?

Answer. Protection of the environment is a serious issue that confronts business managers and decision makers. The environment is defined as the totality of man's surroundings — both natural and man-made. These surroundings are also in the nature of resources, that are useful for human life. The resources may also be called natural resources like land, water, air, fauna and flora and raw materials; or man- made resources such as cultural heritage, socio-economic institutions and the people. It is widely recognised that the quality of the environment is fast deteriorating particularly due to industrial activity.

Pollution changes the physical, chemical and biological characteristics of air, land and water. Pollution harms human life and the life of other species. It also degrades living conditions while wasting or depleting raw material resources. The country's cultural heritage is also affected and it is becoming increasingly difficult to protect all historical monuments. Pollution exists because the environment can absorb only a limited amount of pollutants and wastes. Some hazardous wastes or toxic by-products and chemicals are termed as hazardous pollutants because they have toxic characteristics that the environment can not assimilate.

Page : 162 , Block Name : Short Answer Questions

Q3 What is business ethics? Mention the basic elements of business ethics.

Answer. Ethics is concerned with what is right and what is wrong in human behaviour judged on the basis of a standard form of conduct of individuals, as approved by society in a particular field of activity. Ethics may be viewed as the entire body of moral values that society attaches to the actions of human beings. Some of the basic elements of business ethics while running a business enterprise are as follows:

(i) Top management commitment: Top management has a crucial role in guiding the entire organisation towards ethically upright behaviour. To achieve results, the Chief Executive Officer (CEO) and other higher level managers need to be openly and committed to ethical conduct. They must give continuous leadership for developing and upholding the values of the organisation.

(ii) Publication of a 'Code': Enterprises with effective ethics programmes do define the principles of conduct for the whole organisation in the form of written documents which is referred to as the "code". This generally covers areas such as fundamental honesty and adherence to laws; product safety and quality; health and safety in the workplace; conflicts of interest; employment practices; fairness in selling/marketing practices; and financial reporting.

(iii) Establishment of compliance mechanisms: In order to ensure that actual decisions and actions comply with the firm's ethical standards, suitable mechanisms should be established. Some examples of such mechanisms are: paying attention to values and ethics in recruiting and hiring; emphasising corporate ethics in training; auditing performance regularly to analyse the degree of compliance; and instituting communication systems to help employees report incidents of unethical behaviour.

Page : 162 , Block Name : Short Answer Questions

Q4 Briefly explain (a) Air Pollution, (b) Water pollution, and (c) Land pollution.

Answer. (i) Air pollution: Air pollution is the result of a combination of factors which lowers the air quality. It is mainly due to carbon monoxide emitted by automobiles which contributes to air pollution. Similarly, smoke and other chemicals from manufacturing plants pollute the air. Resultant air pollution has created a hole in the ozone layer leading to dangerous warming of the earth.

(ii) Water pollution: Water becomes polluted primarily from chemical and waste dumping. For years, business enterprises have been dumping waste into rivers, streams and lakes with little

regard for the consequences. Water pollution has led to the death of several animals and posed a serious threat to human life.

(iii) Land pollution: Dumping of toxic wastes on land causes land pollution. This damages the quality of land making it unfit for agriculture or plantation. Restoring the quality of the land that has already been damaged is a big problem.

Page : 162 , Block Name : Short Answer Questions

Q5 What are the major areas of social responsibility of business?

Answer. A business unit has to decide in which areas it should carry out social goals. Some of the specific responsibilities and enterprise may be outlined as under:

(i) Responsibility towards the shareholders or owners: A business enterprise has the responsibility to provide a fair return to the shareholders or owners on their capital investment and to ensure the safety of such investment. The corporate enterprise on a company form of organisation must also provide the shareholders with regular, accurate and full information about its working as well as schemes of future growth.

(ii) Responsibility towards the workers: Management of an enterprise is also responsible for providing opportunities to the workers the meaningful work. It should try to create the right kind of working conditions so that it can win the cooperation of workers. The enterprise must respect the democratic rights of the workers to form unions. The worker must also be ensured of a fair wage and a fair deal from the management.

(iii) Responsibility towards the consumers: Supply of right quality and quantity of goods and services to consumers at reasonable prices constitutes the responsibility of an enterprise toward its customers. The enterprise must take proper precaution against adulteration, poor quality, lack of desired service and courtesy to customers, misleading and dishonest advertising, and so on.

Page : 162 , Block Name : Short Answer Questions

Q6 State the meaning of Corporate Social Responsibility as per the Companies Act 2013.

Answer. Corporate sustainability refers to the role that companies can play in meeting the agenda of sustainable development and entails a balanced approach to economic progress,

social progress and environmental protection. There is no single universally accepted definition of CSR, each definition that currently exists underpins the impact that businesses have on society at large and the societal expectations of them.

i. The European Commission defines CSR as “the responsibility of enterprises for their impacts on society”.

ii. The World Business Council for Sustainable Development defines CSR as “the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families, as well as, of the community and society at large”.

In India, the concept of CSR is governed by Clause 135 of the Companies Act, 2013, which was passed by both the Houses of the Parliament, and had received the assent of the President of India on 23 August 2013.

Page : 162 , Block Name : Short Answer Questions

Q1 Build up arguments for and against social responsibilities.

Answer. Arguments for Social Responsibility

(i) Justification for existence and growth: Business exists for providing goods and services to satisfy human needs. Though, profit motive is an important justification for undertaking business activity, it should be looked upon as an outcome of service to the people. In fact, the prosperity and growth of business is possible only through continuous service to society. Thus, assumption of Social responsibility by business provides justifications for its existence and growth.

(ii) Long-term interest of the firm: A firm and its image stands to gain maximum profits in the long run when it has its highest goal as ‘service to society’. When increasing number of members of society — including workers, consumers, shareholders, government officials, feel that business enterprise is not serving its best interest, they will tend to withdraw their cooperation to the enterprise concerned.

(iii) Avoidance of government regulation: From the point of view of a business, government regulations are undesirable because they limit freedom. Therefore, it is believed that businessmen can avoid the problem of government regulations by voluntarily assuming social responsibilities, which helps to reduce the need for new laws.

Arguments against Social Responsibility :

(i) Violation of profit maximisation objective: According to this argument, business exists only for profit maximisation. Therefore, any talk of social responsibility is against this objective. In fact,

business can best fulfill its social responsibility if it maximises profits through increased efficiency and reduced costs.

(ii) Burden on consumers: It is argued that social responsibilities like pollution control and environmental protection are very costly and often require huge financial investments. In such circumstances, businessmen are likely to simply shift this burden of social responsibility by charging higher prices from the consumers instead of bearing it themselves. Therefore, it is unfair to tax the consumers in the name of social responsibility.

(iii) Lack of social skills: All social problems cannot be solved the way business problems are solved. In fact, businessmen do not have the necessary understanding and training to solve social problems. Therefore, according to this argument, social problems should be solved by other specialised agencies.

Page : 162 , Block Name : Long Answer Questions

Q2 Discuss the forces which are responsible for increasing concern of business enterprises toward social responsibility.

Answer. The following forces have been responsible for Increasing concern of business enterprises towards social responsibility.

(i) Threat of public regulation: Democratically elected governments of today are expected to act as welfare states whereby they have to take care of all sections of society. Thus, where business institutions operate in a socially irresponsible manner, action is taken to regulate them for safeguarding people's interest. This threat of public regulation is one important reason due to which business enterprise feels concerned with social responsibility.

(ii) Pressure of labour movement: Over the last century or so, labour has become far more educated and organised. Accordingly, Labour movement for extracting gains for the working class throughout the world has become very powerful. This has forced business enterprises to pay due regard to the welfare of workers instead of following a policy of 'hire and fire' under which they could deal with workers at their will.

(iii) Impact of consumer consciousness: Development of education and mass media and increasing competition in the market have made the consumer conscious of his right and power in determining market forces. The principle of caveat emptor (or let the buyer beware) has been substituted by the principle of 'customer is king'. Business enterprises have started following customer - oriented policies.

(iv) Development of social standard for business: Businesses are no longer considered merely money crazy entities, which can be allowed to mint money at any cost and get away with any

kind of business practices. New social standards consider economic activity of business enterprises as legitimate but with the condition that they must also serve social needs. No business can be done in isolation from society. It is the society that permits business to exist and grow and it is on the basis of social standards that business functioning is to be ultimately judged.

Page : 162 , Block Name : Long Answer Questions

Q3 'Business is essentially a social institution and not merely a profit making activity'. Explain.

Answer. A business enterprise is permitted by Society to carry on industrial or commercial activities and earn profits from It Therefore, a business enterprise is expected to do business and earn money in ways that fulfill the expectations of the society Like every individual living in society, business too has certain obligations towards society in terms of respect for social values and norms of behaviour.

Some of the specific responsibilities and enterprise may be outlined as under:

(i) Responsibility towards the shareholders or owners: A business enterprise has the responsibility to provide a fair return to the shareholders or owners on their capital investment and to ensure the safety of such investment. The corporate enterprise on a company form of organisation must also provide the shareholders with regular, accurate and full information about its working as well as schemes of future growth.

(ii) Responsibility towards the workers: Management of an enterprise is also responsible for providing opportunities to the workers the meaningful work. It should try to create the right kind of working conditions so that it can win the cooperation of workers. The enterprise must respect the democratic rights of the workers to form unions. The worker must also be ensured of a fair wage and a fair deal from the management.

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Page : 162 , Block Name : Long Answer Questions

Q4 Why do the enterprises need to adopt pollution control measures?

Answer. Some of the important reasons which make a case for pollution control are as follows:

- (i) Reduction of health hazards: There is increasing evidence that many diseases like cancer, heart attacks and lung complications are caused by pollutants in the environment. Pollution control measures can not only check the seriousness of such diseases but can also be supportive of a healthy life on earth.
- (ii) Reduced risk of liability: It is possible that an enterprise is held liable to pay compensation to people affected by the toxicity of gaseous, liquid and solid wastes it has released into the environment. Therefore, it is sound business policy to install pollution control devices in its premises to reduce the risk of liability.
- (iii) Cost savings: An effective pollution control programme is also needed to save costs of operating business. Cost savings are particularly noticeable when improper production technology results in greater wastes which leads to higher cost of waste disposal and cost of cleaning the plants.
- (iv) Improved public image: As society becomes increasingly conscious of environmental quality, a firm's policies and practices for controlling wastes will increasingly influence people's attitude towards its working. A firm that promotes the cause for environment will be able to enjoy a good reputation and will be perceived as a socially responsible enterprise.
- (v) Other social benefits: Pollution control results in many other benefits like clearer visibility, cleaner buildings, better quality of life, and the availability of natural products in a purer form.

Page : 162 , Block Name : Long Answer Questions

Q5 What steps can an enterprise take to protect the environment from the dangers of pollution?

Answer. These steps are taken by enterprises :

- (i) Top management commitment: Top management has a crucial role in guiding the entire organisation towards ethically upright behaviour. To achieve results, the Chief Executive Officer (CEO) and other higher level managers need to be openly and strongly committed to ethical conduct. They must give continuous leadership for developing and upholding the values of the organisation.
- (ii) legal compliance : A very Important and essential step IS to comply Witt' the laws and regulations enacted by the Government for prevention of pollution.

(iii) Voluntary participation: Participation in government programmes relating to management of hazardous substances, clearing up of polluted rivers, plantation of trees and checking deforestation is also an important step in environmental protection by business enterprises.

(iv) Measuring result: Periodical assessment of pollution control programmes in terms of costs and benefits is also essential in order to have a steady progress. With respect to environmental protection.

(v) Education training: Another step that can be taken for environmental protection is arranging educational workshops and training materials to share technical information and experience with suppliers, dealers and customers to get them actively involved in pollution control programmes.

Page : 162 , Block Name : Long Answer Questions

Q6 Explain the various elements of business ethics.

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

(i) Top management commitment: Top management has a crucial role in guiding the entire organisation towards ethically upright behaviour. To achieve results, the Chief Executive Officer (CEO) and other higher level managers need to be openly and strongly committed to ethical conduct. They must give continuous leadership for developing and upholding the values of the organisation.

(ii) Publication of a 'Code': Enterprises with effective ethics programmes do define the principles of conduct for the whole organisation in the form of written documents which is referred to as the "code". This generally covers areas such as fundamental honesty and adherence to laws; product safety and quality; health and safety in the workplace; conflicts of interest; employment practices; fairness in selling/marketing practices; and financial reporting.

(iii) Establishment of compliance mechanisms: In order to ensure that actual decisions and actions comply with the firm's ethical standards, suitable mechanisms should be established. Some examples of such mechanisms are: paying attention to values and ethics in recruiting and hiring; emphasising corporate ethics in training; auditing performance regularly to analyse the degree of compliance; and instituting communication systems to help employees report incidents of unethical behaviour.

(iv) Involving employees at all levels: It is the employees at different levels who implement ethics policies to make ethical business a reality. Therefore, their involvement in ethics programmes becomes a must. For example, small groups of employees can be formed to discuss the important ethics policies of firms and examine attitudes of employees towards these policies.

(v) Measuring results: Although it is difficult to accurately measure the end results of ethics programmes, the firms can certainly audit to monitor compliance with ethical standards. The top

management team and other employees should then discuss the results for further course of action.

Page : 162 , Block Name : Long Answer Questions

Q7 Discuss the guidelines enumerated by the Companies Act 2013 for Corporate Social Responsibility.

Answer. In India, the concept of CSR is governed by Clause 135 of the Companies Act, 2013, which was passed by both the Houses of the Parliament, and had received the assent of the President of India on 23 August 2013. The CSR provisions within the Act is applicable to companies with an annual turnover of 1,000 crore and more, or a net worth of Rs. 500 crore and more, or a net profit of Rs. 5 crore and more.

1. The new rules, which are applicable from the fiscal year 2014-15 onwards, also require companies to setup a CSR committee consisting of their board members, including at least one independent director.
2. The Act encourages companies to spend at 2% of their average net profit in the previous three years on CSR activities.
3. The indicative activities, which can be undertaken by a company under CSR, have been specified under Schedule VII of the Act.
4. Only CSR activities undertaken in India will be taken into consideration.
5. Activities meant exclusively for employees and their families will not qualify under CSR.

Page : 162 , Block Name : Long Answer Questions