

When Sathish got his office, he found that some of his people had been recommending a group of mutual funds that Spencers had been auditing. Then someone from another of his company's accounting clients, Fortis Mutual Funds, telephoned. "What is the idea of having your people suggest Reliance Mutual Funds when they are in direct competition with us?" the caller yelled. "We pay you a lot, Sathish, to do our accounting procedures, and that is how you reward us? I want to know by the end of the day if you are going to continue to push our competitor's product. I don't have to tell you that this will directly affect your department and you. Also, things like this get around the business circles, if you know what I mean." With these words, the caller hung up on Sathish.

Questions:

- a) Identify any ethical and legal issues of which Sathish needs to be aware.
- b) Discuss the advantages and disadvantages of each decision Sathish has made and could make.
- c) Discuss the issue of accounting firms going into the financial services market.
- d) Discuss the type of groups that are influencing Sathish.

**MBA (PT) DEGREE III SEMESTER EXAMINATION NOVEMBER 2011****SMP 2301 INDIAN ETHOS AND BUSINESS ETHICS**

Time : 3 Hours

Maximum Marks : 50

(5 x 10 = 50)

- I. A. What is ethical standard? Enumerate a few popular ethical standards drawn from philosophy and religions in India.
- OR**
- B. Discuss the major lessons of the past that can be adopted modern management.
- II. A. Discuss the benefits of business ethics.
- OR**
- B. Compare and contrast social responsibility and business ethics.
- III. A. Explain the process of ethical decision-making.
- OR**
- B. Write a detailed note on the moral philosophy perspectives.
- IV. A. Discuss the role of corporate culture in ethical decision making.
- OR**
- B. What do you mean by Ethical Audit? Discuss its advantages.
- V. Case analysis:

As Sathish sat down in his expensive new chair, he was worried. What had he gotten himself into? How could things have gone so wrong so fast? It was as if he had been walking and some truck had blindsided him. Sathish had been with Spencers Accounting, a medium-size firm, for several years. His wife, Pinky, had a job in the pharmaceutical industry, and their first child was due any day now. The doctor had told her that she would need to stop work early because hers was a high-risk pregnancy. So three months before her due date, she asked and received a four month leave of absence. This was great, but the leave was without pay. Luckily, Sathish had received a promotion and now headed a department.

Some interesting activities were going on in the accounting industry. For example, Sathish's superior had decided that all Chartered Accountants (CAs) would take exams to become registered investment consultants. The rationale for such a new development was simple. The firm could use its relationships with clients to increase investment revenues. Because of the long-term nature of these relationships with many firms and individuals as well as the implicit sense of honesty that CAs must bring to their jobs, clients understood that a violation of so high a trust was unlikely- or so Sathish's boss argued. Many of the people in Sathish's department didn't like this new policy; however, some who had passed the exams increased their pay by 15%. During lunch, one of Sathish's financial friends engaged him heatedly. "What you are doing, Sathish, is called unfair competition," the friend accused him. "For example, your CAs have exclusive access to confidential client taxpayer information, which could give you insight into people's financial needs. Besides, you could easily direct clients to mutual funds that you already own in order to keep your own personal investments afloat. Also, if your people start chasing commissions and fees on mutual funds that go bad, your credibility will become suspect and you won't be trusted. Plus, your people will now have to keep abreast of financial, as well as tax and accounting changes".