

**School of Distance Education, University of Kerala**  
**M.Com. (II- SEMESTER)**  
**Assignment Topics & Case Analysis (2017 Admission)**

<b>Course Code: CO2 22</b>
<b>Title: BUSINESS ETHICS AND CORPORATE GOVERNANCE</b>
<b>Assignment Code: CO222/SDE-C/2017-18</b>
<b>Assignment Coverage: All Modules</b>
<b>Maximum Marks: 15</b>

**Attempt any three topics each in 4-5 pages**

1. Suggest the different strategies to cope with work-life balance.
2. Discuss the codes of corporate governance practices in India.
3. How socialization process helps in developing organization culture?
4. "Business is a responsible citizen"- Comment on the statement.
5. Discuss individual attitude and work ethics.

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<b>Title: BUSINESS ETHICS AND CORPORATE GOVERNANCE</b>
<b>Case analysis Code: CO2-22/SDE-C/2017-18</b>
<b>Coverage: All Modules</b>
<b>Maximum Marks: 10</b>

**Attempt all the cases each in 4-5 pages**

1. An employee, Mr.Tom, working in the capacity of accounts officer of a medium-sized company listed on the London Stock Exchange, was working late one evening during the week. He realised he had left his pen in the boardroom at an earlier meeting and, given its value, went upstairs to look for it. As he approached the door he heard the following discussion:

“Chief Executive: I am deeply concerned that if this fall in profit figures is disclosed in the next annual report, there will be all sorts of problems with the shareholders. We may even lose a number of big investors.

Non-executive director (also the cousin of the Chief Executive): (large sigh) Well, I suppose we could always find a way of making them look better.

Chief Executive: How? I can't see it at all.

Non-executive director: Well, we could make them just slightly higher than last year's figures by including the proceeds of the sales of our toothbrush division.

Chief Executive: But the sale doesn't go through until October.

Non-executive director: No, but it will ... and it doesn't make much difference, we need the money on the books now.

Chief Executive: But when the accounts are signed off, won't that be fraudulent?

Non-executive director: Not really ... I don't see why ... it's just a manipulation of timing rather than numbers.

Chief Executive: OK. That sounds good to me. Let's sort it out now."

Mr Tom heard one of them move towards the door, and quickly slipped back to the stairs. He left work and spent the evening worrying about what he should do if anything. He decided he would anonymously ask the Company Secretary how he could deal with this situation, and bring the issue out into the open.

(a) As Company Secretary you receive a report from the employee about the overheard conversation. Write a brief summary for board members of the corporate governance problems raised by this employee and the weaknesses in the company's corporate governance which are evident from the conversation which was overheard.

(b) Draft a whistle blowing policy statement for any organisation, taking account of the ICSA Best Practice Guide.

2. Hunk Limited ('Hunk') is a successful family-run business. The board of directors is led by the founder of the company, John Hunk ('John'), who is both chairman and chief executive officer (CEO). The other board members, a finance director and two non-executive directors, are also John's brother and daughter. The members of the Hunk family own all the share capital of the company. The company does not have a company secretary, and its auditors are a local firm of accountants in the town where Hunk has its head office. John is proud of his entrepreneurial success. He has been prepared to take big risks with the company's strategy in order to grow the business and, when necessary, he has been willing to cancel the annual dividend to shareholders to spend money on investment or to accept a temporary decline in profits for the sake of longer-term success. He is aware that the company does not have a good reputation as an employer, but he believes that the company exists for the benefit of the Hunk family and employees should be grateful to have their jobs. John wants to retire in a few years' time. He would like his daughter to take over the running of the company, but he would also like to take the company public and get it accepted on to AIM, the junior stock market in the UK. He is aware that the governance of the company will have to undergo a substantial change for this to happen, but he does not want to retire until all the changes have been made and the company's shares are being traded on AIM. He also knows that AIM companies are not required to comply with the Corporate Governance Code but are, nevertheless, expected to have high standards of governance.

(a) Explain how the board's attitude to its shareholders and other stakeholders will need to change if Hunk goes public.

(b) Giving your reasons, identify the main aspects of governance that the board of Hunk will have to consider before the company goes public, and suggest changes that will have to be made.