

Gujarat Board Textbook Solutions Class 11 Organization of Commerce and Management Chapter 11 Social Responsibility of Business

1. Select the correct alternatives and write answers to the following questions :

Question 1. As per the provision of Company's Act, 2013 it is becoming mandatory to perform social responsibility for below given company.

- (A) The company which have yearly turnover worth Rs. 5 crore
- (B) The company which have yearly turnover worth Rs. 50 crore
- (C) The company which have yearly turnover worth Rs. 500 crore
- (D) The company which have yearly turnover worth Rs. 1000 crore

Answer:

- (D) The company which have yearly turnover worth Rs. 1000 crore

Question 2 As per the provision of Company's Act, 2013 it is mandatory to make expenditure for a company as a part of its social responsibility.

- (A) Minimum 2% of its average yearly profit
- (B) Minimum 5% of its average yearly profit
- (C) Maximum 2% of its average yearly profit
- (D) Maximum 5% of its average yearly profit

Answer:

- (A) Minimum 2% of its average yearly profit

Question 3. Select a stake-holding group which includes in external stake-holding group in a company.

- (A) Employee
- (B) Investor
- (C) Owner
- (D) Consumer

Answer:

- (D) Consumer

Question 4. Social responsibility of a business means.

- (A) Responsibility of the society towards a business
- (B) Responsibility of the consumer towards the society
- (C) Responsibility of a business towards the society
- (D) Responsibility of the society towards a consumer

Answer:

- (C) Responsibility of a business towards the society

Question 5. Towards how many stake-holding groups the social responsibility of a business is there?

- (A) Five

- (B) Two
- (C) Seven
- (D) Eight

Answer:

(B) Two

Question 6. Who is a king of the market in regard to the social responsibility?

- (A) Investor
- (B) Consumer
- (C) Owner
- (D) Employee

Answer:

(B) Consumer

Question 7. Not depicting obscenity or sexual discrimination through advertisements

- (A) Is a political responsibility
- (B) Is a religious responsibility
- (C) Is a financial responsibility
- (D) Is a social responsibility

Answer:

(D) Is a social responsibility

Question 8. Implementation of business ethics is

- (A) As per Companies Act
- (B) As per Partnership Act
- (C) Voluntarily
- (D) As per Co-operative Society Act

Answer:

(C) Voluntarily

Question 9. The scripture which interprets ethical behaviour of human refers to

- (A) Sociology
- (B) Psychology
- (C) Political science
- (D) Ethics

Answer:

(D) Ethics

Question 10. According to the Companies Act, 2013, as per which section the concept of social responsibility has been made mandatory?

- (A) 135
- (B) 143
- (C) 153
- (D) 137



Answer:

(A) 135

2. Answer the following questions in one sentence each :

Question 1. Give the meaning of social responsibility.

Answer:

The services and contribution that a business receives from the society right from its establishment to its expansion can be considered as society's obligation to business. The responsibility of the business to perform such social duties which can return these obligations to the society is called social responsibility of the business.

Question 2. Producing zero pollution in atmosphere called what type of responsibility?

Answer:

Preservation of air and other gases i.e. is atmosphere as a part of environmental responsibility.

Question 3. What is a reasonable price?

Answer:

A price for a good/service that is fair for both the parties i.e. buyer and seller is called fair, reasonable price.

Question 4. Give the meaning of ethics.

Answer:

A set of accepted principles and standards that guides how a business should behave and operate is called business ethics.

Question 5. To preserve atmosphere called which type of responsibility?

Answer:

Environmental responsibility.

3. Answer the following question in brief :

Question 1. 'Timely and appropriate wages becomes social responsibility of a unit' – describe.

Answer:

- Remuneration i.e. salary/wages an employee earns reflects his standard of living.
- Based on company's financial status it must provide a reasonable remuneration to the employees which can maintain their standard of living. For this the business over and above remuneration, need to provide incentives, bonus, etc. at pre-decided intervals.
- Moreover, on time and appropriate wages keeps the employees motivated and loyal towards the firm. They put in their best efforts to deliver the best to the unit.



- Hence, timely and appropriate wages becomes social responsibility of a unit.

Question 2. 'Protecting the interest of consumer increase reputation of a unit' – Explain

Answer:

- Existence of business is impossible without customers. Customers form the axis of business. Without customers a business cannot exist.
- Interest of customers lie in obtaining good quality products and their after sales service. Customers also wish that they do not get cheated through equality, weight and measurement, adulteration, etc.
- If a business satisfies these requirements and takes care of customer's interest it can gain their trust. On developing trust the customers associate themselves with the product and remain loyal. They prefer buying products/services of that brand and also publicize them among their associates. This overall increases the reputation of the business unit.

Question 3. Which elements are included in business ethics?

Answer:

Following elements are included in business ethics:

- Commitment of higher management
- Publishing directional rules
- Establishing structure to follow business ethics
- Employees participations in decision making
- Evaluation of results

4. Answer the following questions in brief :

Question 1. Explain in details: In which sector a business unit should have to serve regarding environment?

Answer:

Today, the world is facing severe global warming and other environmental issues. Under this situation it becomes the social responsibility of a business to follow the environmental laws and standards put by government and avoid causing loss or cause minimal loss to the environment.

With respect to environment a business needs to fulfill its social responsibility in following four sectors:

1. Land and forest preservation:

- A business unit requires land to do business. If it has to cut trees from that land to use it for business then it should plant an equal or proportionate number of trees to balance the environmental loss.



- If the unit is disposing its waste such as chemicals, polluted water, etc. in surrounding area then it should be first well treated before disposal. If the waste decreases fertility of surrounding land or pollutes water resources then society should not hesitate to boycott the business unit.

2. Preservation of water resources:

The unit should take care that while disposing pollutants it does not pollute or harm the surrounding water resources. It needs to treat the waste before disposing so that it does not harm the water resources.

3. Preservation of atmosphere:

The unit before releasing the pollutants should treat them well so that they do not harm the atmosphere. Smoke, fumes and harmful chemicals coming out of industries can deteriorate atmosphere and air quality.

4. Preventing noise pollution:

- Units should carry out its production processes in such a way that they cause minimal noise. This helps in preventing noise pollution.
- Any form of pollution can affect human health and our environment. Pollution may lead to allergies, several diseases, deafness, etc. Hence, it is the social responsibility of the business to prevent pollution and preserve environment.

Question 2. “A business unit can increase its goodwill by performing social responsibilities.” – Explain.

Answer:

- A business cannot function without the existence of a variety of internal and external stake holding groups. These groups oblige the business by performing several activities directly or indirectly.
- When a business unit fulfills its social responsibilities it is thanking these stake holding groups and in turn getting several indirect benefits. For example, by paying taxes and following laws regularly it is proving its loyalty towards the government. By paying good wages, bonus, incentives, etc. it is keeping its workforce motivated and loyal for the work.
- By providing good quality products and services it gains trust and popularity among customers. By making regular payments to suppliers and keeping them well informed about its business needs it is making its rapport strong with suppliers.
- Thus, overall the business by fulfilling its social responsibilities can build a strong reputation and trustworthy brand in the market.



Question 3. “Social responsibility towards employees eliminates displeasure from the unit.” How?

Answer:

- Employees form the base of any business unit. Without their whole-hearted contribution a business unit cannot work with its full efficiency.
- Whole hearted contribution of employees can only be obtained if a business unit fulfill its responsibilities towards employees. If the unit does not pay enough salaries, incentives, bonus, etc. the employees will remain demotivated. Also, their standard of living will not be maintained which will then affect their work efficiency and morale.
- Lack of basic facilities like cleanliness, transportation, sanitation, air-conditioning, ventilation, etc. also creates displeasure in work.
- Hence, to maintain the efficiency of employees and keep them motivated the business unit needs to provide them pleasure of work which can be achieved by fulfilling social responsibilities.

Question 4. Implementation of business ethics is not possible by law.

Answer:

Business ethics refer to a set of accepted principles and standards that guides how a business should behave and operate. On the other hand laws are rules and regulations framed by the government to maintain and control the society. Business ethics depends on morale and belief of a person. There are no definite rules to follow them. For example, one business unit may think of using recycled paper to preserve nature whereas the other unit may think of using fresh paper in order to maintain prestige among its clients. Both units are correct on their own. One cannot force the second unit owner to use recycled paper through law because that unit is not doing anything illegal. Business ethics are purely based on a person's approach towards the various sections of society and his personal belief and principles. Law has nothing to do with business ethics.

Laws come in picture when a person or unit fails to follow the rules and regulations set by the government. As long as someone is following the laws one cannot enforce him to be ethical. Hence, implementation of business ethics is not possible by law.

Question 5. Explain the difference between Ethics and law.

Answer:

Ethics	Law
1. Ethics are rules stating how a business should behave.	1. Laws are rules developed by the government and to be followed mandatorily.



2. Ethics comes from people's awareness of what is right or wrong.	2. Laws are enforced by the government and so business needs to learn from laws what is right or wrong.
3. Ethics are moral codes which everyone must follow to maintain a healthy society.	3. Laws are rules that everyone needs to follow for controlling the wellbeing of the society.
4. A person cannot be punished if he violates the ethics.	4. A person is punished if he violates the laws.

5. Answer the following questions in detail :

Question 1. Describe social responsibility of a business towards owner.

Answer:

Social responsibility of a business towards customers:

Existence of business is impossible without customers form the axis of business. They are called the king of market.

Business needs to fulfill following responsibilities towards its customers:

1. Selling goods and services properly:

It is the social responsibility of a business to maintain the said quality and quantity of goods and services it provides to customers. It should see that it provides proper packing and delivery, does not tamper weight or does not provide adulterated goods/services.

2. Reasonable profit:

In today's competitive environment, the business unit should focus on earning a reasonable profit rather than overcharging and exDloiting the customers. A business should satisfy its customess by maintaining reasonable margins.

3. Maintaining continuity of supply in the market:

A business unit should supply its products on a regular basis in the market. It should not hoard and create artificial scarcity.

4. Should not issue misleading advertisements:

- Some units exaggerate their products and services through advertisements. When in reality the products might not be that worthy.
- Customers get lured by these misleading advertisements. When they buy they realize they have been cheated. A business unit should not issue such advertisements to mislead and cheat its customers.
- A business should also not release obscene advertisements.



5. After sales service:

- The real test of a product or service starts not when it is produced and sold but after it is sold.
- It is the social responsibility of the business to provide proper after sales service to the customers. Business unit must make proper provision for grievance redressal of customer for faulty or damaged products. It should provide facility for repair, return and refund.

Question 2. Describe social responsibility of a business towards society.

Answer:

Social responsibility of business towards society:

As per management consultant Mr. Peter F. Drucker, a business should be managed in such a way that balance can be maintained between interest of business units and various communities/sections of the society. The business unit must maintain economic and social interests of the society.

It should fulfill the following responsibilities towards society:

1. Preserve environment:

The business unit should conduct production and other processes in such a manner that it causes least pollution and hence environment remains preserved.

2. Contribution in national development works:

- When every business unit focuses on growth and development it will lead to national development and prosperity.
- The unit needs to make best use of its financial and other resources to enhance its productivity and hence support national development.

3. Give importance to research:

A company needs to give importance to research. It needs to invest a part of its profit in research and development. By doing so it will be able to improve its product quality, improve its business processes and productivity. Through research company will be then able to roll out better products at fair prices and give their benefit to a vast section of society. This will also help the company to maintain its position in strong competition.

4. Remain helpful during natural calamities:

In times of calamities the business units must help government to raise food-packets, medical facilities etc. for the victims.

5. Conserve social and cultural heritage of country:

Business units should neither produce goods/services nor follow policies and practices that harms the social and cultural legacy of the nation. It should not use such advertisements



which harms this legacy. For example, company's advertisements should not portray vulgarity, sexual discrimination, etc.

6. Participate in social encouragement:

Business units should try to create equality in society. It should try to provide equal opportunity to all the sections of society. It should also focus on raising opportunities for backward and downtrodden sections of society.

7. Create employment opportunities:

A unit should grow and raise employment. By doing so, it will help the country to achieve national equality and increase national growth ratio.

8. Maintain human rights:

Business unit should follow national and constitutional rights so as to maintain human rights in the society.

Question 3. Explain the Internal social Responsibilities of a business in detail.

Answer:

Social responsibility of a business towards its internal stake-holding groups can be classified in three parts. They are:

A. Social responsibility of business towards owners:

Here, owners refer to the share-holders which are considered to be the true owners of a company. When business units grew in size, they started obtaining capital from share-holders which were considered true owners separate from management. So, from the view point of a company, it has certain social responsibilities towards its owners. They are:

1. Allow participation in decision making:

Share-holders are the owners of the company. So, it is important to maintain their confidence and trust in the company. It is social responsibility of the company to allow the owners to participate in decision making process.

2. Provide capital security and growth:

Company's managers need to put their personal interest aside and use their skills and experience for providing security to the capital that the share-holders have invested and give them good returns through company's growth.

3. Protecting interests of the owners:

The company should focus on providing safety and growth to the capital invested by owners i.e. share-holders. It should fulfill its responsibility of providing long-term growth to the company and maintain owners' interest in the company.



4. Priority in development of company:

When company plans to expand/develop itself and is in need of capital then it should first give the priority to the existing owners and offer them rights share.

B. Social responsibility of a business towards investors.

When a company needs additional capital it raises it from investors. These investors could be banks, preference or debenture share-holders, etc. social responsibilities towards these investors are as follows:

1. Timely payment of good returns:

Investors invest with an expectation of high returns at regular interval or a present time. Thus it is the social responsibility of the business unit to pay good returns to investors regularly.

2. Provide necessary information:

It is the responsibility of the business unit to inform its current position and future plans to the investors.'

3. Provide growth to the invested value:

Better the financial results of the unit better will be the market value of the funds invested in the company. So, a unit should take such decisions which gives growth to the investment of investors.

4. Security of money:

Investors invest their money in the business unit believing that the company will work efficiently and deliver good returns. It is the social responsibility of the business to make proper use of investor's money so that it remains safe and grows. This will also help company to borrow more money from investors in future.

5. Welcome suggestions:

Generally, the investors who invest their money are aware of the market trends. So, the business units should welcome the suggestions of investors and try and use them for betterment of the company.

C. Social responsibility of business towards employees.

Employees form the base of any business unit. Without their whole hearted contribution a business unit cannot work with its full efficiency. Thus, it is the social responsibility of a business unit to take proper care of its employees. This includes:

1. Maintaining standard of living :

Remuneration i.e. salary/wages an employee earns reflects his standard of living. -» Based on company's financial status it must provide a reasonable remuneration to the employees which can maintain their standard of living. For this the business over and above remuneration, need to provide incentives, bonus, etc. at pre-decided intervals.



2. Provide proper work atmosphere and facilities:

- The business unit must provide positive work atmosphere that encourages growth of peer relationship and strong bonding towards company.
- Based on unit's size it can provide canteen, transportation, clean and well ventilated environment, etc. to the employees.
- If possible a business unit should provide air-conditioning and separate arrangements for female employees.

3. Provide social security:

In addition to timely and reasonable salary, employees should be provided facilities like provident fund, pension, sick and casual leaves, medical and life insurance, etc.

4. Give recognition to employees (labour) union:

Employees form employee (labour) union to present their problems and demands in an organized way to the management. The management must provide recognition to such union. It should listen to union's reasonable demands and fulfill them for maintaining motivation and moral of the employees.

5. Maintaining a compromising attitude by top management:

- Top management should have a flexible and compromising attitude for the betterment of the business unit.
- It should keep in mind that employees are an asset and they will work efficiently and remain motivated only if their reasonable demands are fulfilled and their genuine complains are solved.
- By maintaining a compromising attitude the business can let go its few incorrect or egoistic decisions or policies and compromise them for employees and business growth.
- A warm and cordial relation should be maintained with employees so that family like healthy atmosphere can be maintained in the company.

6. Motivation:

- A business unit must create several opportunities through which it can constantly motivate its employees.
- A unit can arrange competitions for best performance, arrange tours or dinners with employees, award them for their specific contribution in enhancing business, etc. The business unit also encourages its employees through increments, promotions, rewards, cash vouchers, travel vouchers, etc.



7. Other responsibilities:

- Business unit should involve employees in decision making, inform them about company's important decisions and plans, terms and conditions of work before appointing them, etc.
- The unit should also care for education and health of employee's family, etc.

Question 4. Describe the External Social responsibility of a business in detail.

Answer:

Social responsibility of a business towards its external stake-holding groups can be classified in four types. They are:

(A) Social responsibility of a business towards customers:

Existence of business is impossible without customers form the axis of business. They are called the king of market.

Business needs to fulfill following responsibilities towards its customers:

1. Selling goods and services properly:

It is the social responsibility of a business to maintain the said quality and quantity of goods and services it provides to customers. It should see that it provides proper packing and delivery, does not tamper weight or does not provide adulterated goods/services.

2. Reasonable profit:

In today's competitive environment, the business unit should focus on earning a reasonable profit rather than overcharging and exploiting the customers. A business should satisfy its customers by maintaining reasonable margins.

3. Maintaining continuity of supply in the market:

A business unit should supply its products on a regular basis in the market. It should not hoard and create artificial scarcity.

4. Should not issue misleading advertisements:

- Some units exaggerate their products and services through advertisements. When / in reality the products might not be that worthy.
- Customers get lured by these misleading advertisements. When they buy they realize they have been cheated. A business unit should not issue such advertisements to mislead and cheat its customers.
- A business should also not release obscene advertisements.



5. After sales service:

- The real test of a product or service starts not when it is produced and sold but after it is sold.
- It is the social responsibility of the business to provide proper after sales service to the customers. Business unit must make proper provision for grievance redressal of customer for faulty or damaged products. It should provide facility for repair, return and refund.
- It is a customer's social as well as legal right to obtain solutions for his products and services.

(B) Social responsibility of a business towards suppliers:

Suppliers supply raw materials, finished products and/or services to business on a constant and consistent basis. The business then sells them in market and earns profit.

Hence, a businessman should fulfill the following social responsibilities towards its suppliers.

1. Inform the suppliers well in advance:

A business unit should inform its suppliers well in advance about the products/ services it will require. Doing so will help the business to obtain a constant supply of material which can then be used to process and put products in market on time and in continuity. This also improves credit of business in the market in the sense that it supplies products to customers whenever they need.

2. Clarify the quality and quantity specifications:

The unit should clearly mention the quality and quantity requirements in advance to avoid any misunderstandings later. This will save time and effort of supplier as well as business and also not affect the production cycle.

3. On time payment:

The business unit should make timely payment to its suppliers as per mutually agreed terms and conditions.

(C) Social responsibility of business towards government:

- Obey laws: It is the social as well as legal responsibility of the business to obey the laws established by government.
- Pay taxes honestly: The business unit should pay all its taxes honestly and on time.
- Participate in government programmes: Government arranges various programmes for the welfare of the nation. A business unit should involve in such programmes to support the government's vision. For example, business unit should participate and support programmes like Swachh Bharat Abhiyan, Make in India, etc. to strengthen our nation and enhance its growth.



- Participate in the implementation of industrial policy: Government establishes and modifies its industrial policies as per the need of the , hour. It is the social responsibility of the business unit to participate in successful implementation of such policies.

(D) Social responsibility of business towards society:

As per management consultant Mr. Peter F. Drucker, a business should be managed in such a way that balance can be maintained between interest of business units and various communities/sections of the society. The business unit must maintain economic and social interests of the society.

It should fulfill the following responsibilities towards society:

1. Preserve environment:

The business unit should conduct production and other processes in such a manner that it causes least pollution and hence environment remains preserved.

2. Contribution in national development works:

- When every business unit focuses on growth and development it will lead to national development and prosperity.
- The unit needs to make best use of its financial and other resources to enhance its productivity and hence support national development.

3. Give importance to research:

A company needs to give importance to research. It needs to invest a part of its profit in research and development. By doing so it will be able to improve its product quality, improve its business processes and productivity. Through research company will be then able to roll out better products at fair prices and give their benefit to a vast section of society. This will also help the company to maintain its position in strong'competition.

4. Remain helpful during natural calamities:

In times of calamities the business units must help government to raise food-packets, medical facilities etc. for the victims.

5. Conserve social and cultural heritage of country:

Business units should neither produce goods/services nor follow policies and practices that harms the social and cultural legacy of the nation. It should not use such advertisements which harms this legacy. For example, company's advertisements should not portray vulgarity, sexual discrimination, etc.

6. Participate in social encouragement:

Business units should try to create equality in society. It should try to provide equal

opportunity to all the sections of society. It should also focus on raising opportunities for backward and downtrodden sections of society.

7. Create employment opportunities:

A unit should grow and raise employment. By doing so, it will help the country to achieve national equality and increase national growth ratio.

8. Maintain human rights:

Business unit should follow national and constitutional rights so as to maintain human rights in the society.

