

**LIVE: FINAL EXAM PREPARATION**
**18 NOVEMBER 2014**

**Lesson Description**

In this lesson we:

- Work through various questions and answers in preparation for the final exam.


**Exam Questions**
**Question 1**

- 1.1. An example of unprofessional and unethical behaviour is ...
- A Employing unskilled workers.  
 B Increasing prices due to competition.  
 C Waste and abusing work time by doing personal things.  
 D Attending to employees' work related problems in the plant.
- 1.2 Which ONE of the following is an advantage of corporate social responsibility?
- A Reduces the BBBEE ratings  
 B Makes reporting in financial statements more difficult  
 C Is not the main activity of the business  
 D Attracts investors
- 1.3 Which ONE of the following could be regarded as an unethical business practice?
- A Employment of unskilled workers  
 B Selling substitute products to avoid competition  
 C Promoting second-hand products as new products  
 D Increasing the price when the product is not always available

**Question 2**

- 2.1 A/An (professional code of conduct/unethical code of conduct) contains codes for expected behaviour in specific occupations. (2)
- 2.2 (Corporate Social Responsibility/Corporate Citizenship) means that a company's business model should be socially responsible and environmentally sustainable. (2)
- 2.3 **Match the column:**

Column A	Column B
1. Corporate Social Investment	A. business sponsoring a community development project B. the amount that an investor receives as a result of an investment made

**Question 3**

- 3.1 State any TWO key principles identified in the King Code by Judge Mervyn King. (4 x 2) (8)
- 3.2 Discuss how sexual harassment and the price differences in rural areas could challenge ethical and professional behaviour, and also recommend how these forms of unethical behaviour can be addressed by businesses. (12)
- 3.3.1 Contrast THREE benefits and THREE disadvantages of social responsibility for a business. (12)
- 3.3.2 Define the term, *corporate social investment*. (4)

**Question 4**

Classify each of the following statements as EITHER an unethical business practice OR an unprofessional business practice:

- 4.1 Susan downloads information for her son's school project at work.
- 4.2 The staff of Fun Bank refuses to serve customers because the company did not meet their demands for new uniforms.
- 4.3 A doctor reports very late for duty at a hospital without a valid reason.
- 4.4 John uses the company's credit card to pay for his family's holiday. (8)

**Question 5****ABC LTD**

The vision of ABC Ltd, one of the world's largest diversified mining groups, is inspired by a statement made by the company's founder. He said: 'The aims of this group have always been to make a profit and a permanent contribution to the well-being of our employees.'

- 5.1 Recommend THREE corporate social investment initiatives that ABC Ltd can undertake. (6)
- 5.2 Distinguish between corporate social investments and corporate social responsibility. (4)

**Question 6**

Discuss any FOUR ways in which businesses should conduct professional, responsible, ethical and effective business. (12)

**Question 7**

The King Code provides a framework to corporate governance for best business practices. Business ethics and professional conduct are guided by this code.

Distinguish, with examples, between professional behaviour and unprofessional behaviour. Explain possible reasons why prices in rural areas and unfair advertising are regarded to be unethical business practices. Discuss ways in which professional, responsible, ethical and effective business practice should be conducted. [40]

**Question 8**

Businesses are experiencing more and more pressure to get involved in corporate social investment

Examine the nature of corporate social investment. Also analyse five challenges businesses face regarding corporate social investment [40]



## Answers

### Question 1

- 1.1 C ✓✓  
1.2 D ✓✓  
1.3 C ✓✓

### Question 2

- 2.1 professional code of conduct ✓✓  
2.2 Corporate Social Responsibility ✓✓  
2.3 1 B ✓✓

### Question 3

#### 3.1

- Independence ✓✓
- Sustainability ✓✓
- Innovation ✓✓
- Good governance ✓✓
- Fairness ✓✓
- Shareholder specification ✓✓
- Transparency ✓✓
- Social transformation – requirement specified ✓✓
- Board of directors ✓✓
- Accountability and audit conditions ✓✓

(Any 4 x 2) (8)

#### 3.2

##### Pricing of goods in rural areas

- Lack of monitoring by regulatory bodies on legislated/ recommended prices. ✓✓
- Business owners having their business located in rural areas far from town, add the transport cost to their price of goods and services. ✓✓
- Lack of infrastructure results in businesses having no competition. ✓✓
- Any other relevant answer related to the pricing of goods in rural areas.

##### Recommendation

- Monitoring by regulatory bodies on prices. ✓✓
- Cost-effective ways of transporting the goods can be investigated. ✓✓
- Suppliers should work together to take turns in delivery of goods and services. ✓✓
- Government should improve infrastructure in rural areas. ✓✓
- Any other relevant answer related to how businesses can address pricing of goods in rural areas.

Discussion (Any 2 x 2) (4)

Recommendation (Any 1 x 2) (2)

##### Sexual harassment

- Quid pro quo harassment – requests for sexual favours in return for employment benefits. ✓✓
- It includes unwelcome sexual advances or jokes e.g. touching a person in an inappropriate sexual manner. ✓✓
- It includes pressure for sexual favours to ensure financial benefits. ✓✓
- Any other relevant answer related to sexual harassment.

##### Recommendation

- Educate employers on sexual harassment matters. ✓✓
- Each and every business should have a clear policy regarding sexual harassment, which must be stipulated in the Code of Conduct of the business. ✓✓

- Ensures compliance with law. ✓✓
- Any other relevant answer related to how businesses can address sexual harassment.

Discussion (Any 2 x 2) (4)

Recommendation (Any 1 x 2) (2)

Max. (12)

### 3.3.1

Benefits of social responsibility

- Increased sales due to customer loyalty ✓✓
- Charitable contributions meeting the needs of the disadvantaged ✓✓
- Involvement of the business in education, employment and other uplifts the community ✓✓
- It leads to improved product quality and other possible benefits ✓✓
- Any other relevant answer related to the benefits of social responsibility (Any 3 x 2) (6)

Disadvantages of social responsibility

- This may affect the financial performance of the business ✓✓
- The community may become angry, withdraw their support and the business reputation may suffer, if the business cuts down on social responsibility programmes ✓✓
- The community may not support the enterprise ✓✓
- Difficulty in adherence to legislations governing the CSR ✓✓
- Any other relevant answer to the disadvantages of social responsibility (Any 3 x 2) (6)

### 3.3.2

Corporate social investment

- Any project undertaken by an organisation which is external to its normal business activities and is not directly aimed at increasing profit. ✓✓
- Project have a strong focus on community development. ✓✓ (4)

## Question 4

4.1 Unethical ✓✓

4.2 Unprofessional ✓✓

4.3 Unprofessional ✓✓

4.4 Unethical ✓✓

## Question 5

5.1

**Corporate social investment initiatives**

- Businesses can donate computers to underprivileged schools. ✓✓
- Teaching entrepreneurship skills and offering support to individuals starting new ventures. ✓✓
- Providing adult basic education and training in local communities. ✓✓
- Sponsoring art and cultural programmes. ✓✓
- Establishing programmes to promote early childhood development. ✓✓
- Conduct job creation programmes. ✓✓
- Support sport development programmes/sport bursaries/-sponsorships. ✓✓
- Any relevant answer related to corporate social Investment initiatives.

Any (3 x 2) (6)

**5.2****Differences between CSI and CSR**

## Corporate social investment

- Refer to any project undertaken by an organisation which is over and above normal business activities of the company and not directly aimed at increasing profitability. ✓✓
- Programmes that will benefit the community and/or the environment, into which time, skills, expertise and money are invested. ✓✓
- Any other relevant answer related to corporate social investment.

Any (1 x 2) (2)

## Corporate social responsibility

- Refers to any strategy used by a business to take responsibility for their impact on society and the environment. ✓✓
- It is not a single action but rather an approach to doing business that guides all decision making in the firm. ✓✓
- It is the way in which companies manage their business operations so that it does not negatively affect all stakeholders. ✓✓
- Any other relevant answer related to corporate social responsibility.

Any (1 x 2)(2)

Max (4)

**Question 6****Professional, responsible, ethical and effective business practice**

- **Regular payment of tax** ✓✓
    - Business is compelled by the law to pay tax to generate income for the government. ✓
    - Business should not evade tax and should declare all income earned. ✓
    - Business should pay tax to avoid government penalties and fines. ✓
    - Any other relevant answer related to payment of tax.
- Sub Max (3)
- **Treating all employees equally** ✓✓
    - It is ethical to treat employees equally and this will also prevent conflict in the business. ✓
    - If a manager treats an employee unfairly, the manager is violating that employee's human rights. ✓
    - Any other relevant answer related to equal treatment of employees.
- Sub Max (3)
- **Payment of fair wages/salaries** ✓✓
    - Employees make a contribution to the success and profitability of the business, therefore they must be remunerated fairly. ✓
    - Remunerate for working overtime and during public holidays. ✓
    - Any other relevant answer related to payment of fair wages.
- Sub Max (3)
- **Conserving the environment** ✓✓
    - Must not pollute the environment, e.g. disposal/dumping of toxic waste. ✓

- Must sustain the natural resources.√
- Should be involved in environmental awareness programmes.√
- Any other relevant answer related to conserving the environment.

Sub Max (3)

• **Fair pricing**√√

- Should charge fair prices for their goods and services.√
- Should not make unfair profit at the expense of customers/clients.√
- Any other relevant answer related to fair pricing.

Sub Max (3)

• **Fair and ethical advertising**√√

- Should not use deceptive advertising.√
- Should not charge a different price for the same good/service that is advertised.√
- Advertise only goods and services that are available.√
- Any other relevant answer related to fair and ethical advertising.

Sub Max (3)

• **Not starting a venture at the expense of someone else**√√

- Businesses should not start a venture using other businesses' ideas.√
- The community/environment/employees must not be disadvantaged by the business.√
- Any other relevant answer related to not establishing a venture at the expense of someone else.

Sub Max (3)

• **Transparency**√√

- Decisions and actions must be clear to all stakeholders.√
- Any other relevant answer related to transparency.

Sub Max (3)

• **Accountability**√√

- Businesses should be accountable/responsible for their decisions and actions.√
- Any other relevant answer related to accountability.

Sub Max(3)

**NOTE:**

**1. If the heading is part of the phrase or sentence, award FULL marks.**

**2. Mark first FOUR (4) only.**

Heading (2)

Explanation (1)

**(Max) (12)**

**Question 7**
**BUSINESS ROLES (KING CODE)**
**INTRODUCTION**

- Enterprises realise that they cannot exist in isolation, and have to interact with the various environments. ✓
- Many institutions in South Africa have their own code of conduct and code of ethics and a commitment to ethical and professional behaviour. ✓
- A code of practice usually addresses professional behaviour/professionalism, whereas a code of ethics contains ethical actions/what is right and acceptable in a business. ✓
- Any other relevant introduction on the relevant introduction on the relationship between business ethics and professionalism.

Any (2 x 1) (2)

**Differences between professionalism and unprofessionalism**

Aspect	Professional	Unprofessional
<b>Respect</b> ✓	<ul style="list-style-type: none"> <li>• Use polite language towards colleagues. ✓✓</li> <li>• Help others and listen to advice from others. ✓✓</li> <li>• Acknowledge differences in background/culture/religion. ✓✓</li> <li>• Any other relevant example of respect to show professionalism.</li> </ul> <p style="text-align: right;">Max (2)</p>	<ul style="list-style-type: none"> <li>• Use rude/impolite language ✓✓</li> <li>• Swearing at a colleague ✓✓</li> <li>• Nasty remarks about other people's ideas/opinions ✓✓</li> <li>• Ridiculing differences in language, culture or religion ✓✓</li> <li>• Inappropriate, offensive clothing ✓✓</li> <li>• Any other relevant example of respect to show unprofessionalism.</li> </ul> <p style="text-align: right;">Max (2)</p>
<b>Integrity</b>	<ul style="list-style-type: none"> <li>• Looking after equipment. ✓✓</li> <li>• Keep to the working hours. ✓✓</li> <li>• Not bending the law to suit oneself. ✓✓</li> <li>• Engage in open dealings. ✓✓</li> <li>• Any other relevant example of integrity to show professionalism.</li> </ul> <p style="text-align: right;">Max (2)</p>	<ul style="list-style-type: none"> <li>• Use business's resources for private purposes. ✓✓</li> <li>• Take without permission/Steal business resources. ✓✓</li> <li>• Make feeble excuses for work not done. ✓✓</li> <li>• Accept bribery. ✓✓</li> <li>• Any other relevant example of integrity to show unprofessionalism.</li> </ul> <p style="text-align: right;">Max (2)</p>
<b>Competency</b>	<ul style="list-style-type: none"> <li>• Doing the best possible job. ✓✓</li> <li>• Work overtime if necessary. ✓✓</li> <li>• Going beyond job descriptions. ✓✓</li> <li>• Coach and mentor colleagues. ✓✓</li> <li>• Any other relevant example of competency to show professionalism.</li> </ul> <p style="text-align: right;">Max (2)</p>	<ul style="list-style-type: none"> <li>• Take shortcuts with tasks. ✓✓</li> <li>• Not meeting deadlines. ✓✓</li> <li>• Refuse to work overtime although colleagues are doing it. ✓✓</li> <li>• Not taking pride in completing tasks thoroughly ✓✓</li> <li>• Any other relevant example of competency to show unprofessionalism.</li> </ul> <p style="text-align: right;">Max (2)</p>

<b>Confidentiality</b>	<ul style="list-style-type: none"> <li>• Keep clients' information private and confidential. ✓✓</li> <li>• Refrain from criticising clients in front of colleagues and vice versa. ✓✓</li> <li>• Not using clients' information to own advantage. ✓✓</li> <li>• Any other relevant example of confidentiality to show professionalism.</li> </ul> <p style="text-align: right;">Max (2)</p>	<ul style="list-style-type: none"> <li>• Gossip about clients. ✓✓</li> <li>• Discuss confidential client information with colleagues. ✓✓</li> <li>• Use client information for own advantage ✓✓</li> <li>• Any other relevant example of confidentiality to show unprofessionalism.</li> </ul> <p style="text-align: right;">Max (2)</p>
<b>Objectivity</b>	<ul style="list-style-type: none"> <li>• Treat people equally. ✓✓</li> <li>• Apply laws/rules consistently and properly. ✓✓</li> <li>• Remain objective at all times. ✓✓</li> <li>• Any other relevant example of objectivity to show professionalism.</li> </ul> <p style="text-align: right;">Max (2)</p>	<ul style="list-style-type: none"> <li>• Have special preferences for own benefit. ✓✓</li> <li>• Have one-sided views. ✓✓</li> <li>• Support destructive ideas. ✓✓</li> <li>• Any other relevant example of objectivity to show unprofessionalism.</li> </ul> <p style="text-align: right;">Max (2)</p>
<b>Development</b>	<ul style="list-style-type: none"> <li>• Attend skills development programmes ✓✓</li> <li>• Learn from senior/experienced colleagues ✓✓</li> <li>• Improve knowledge through reading and conducting research ✓✓</li> <li>• Any other relevant example of development to show professionalism.</li> </ul> <p style="text-align: right;">Max (2)</p>	<ul style="list-style-type: none"> <li>• Refuse to attend skills development programmes. ✓✓</li> <li>• Have a 'know it all' attitude. ✓✓</li> <li>• Refuse to work in teams. ✓✓</li> <li>• Disregard the experience of senior workers. ✓✓</li> <li>• Any other relevant example of development to show unprofessionalism.</li> </ul> <p style="text-align: right;">Max (2)</p>

Name: (1)

Example of professionalism: (2)

Example of unprofessionalism: (2)

**Max (15)**
**Pricing of goods in rural areas**

- It is good business practice and professional to have the same price for goods in urban and rural areas. ✓✓
- Big businesses are reluctant to open outlets in rural areas because of poor returns on their investment. ✓✓
- It is common practice to pay higher prices for goods of inferior quality in rural areas. ✓✓
- Prices of goods in these areas are generally based on the personal characteristics of the consumers. ✓✓
- People in rural areas do not have the means to check and compare prices (via the Internet) and are often forced to buy from the one and only local stores. ✓✓
- Some businesses exploit consumers by adding much more than necessary to their prices. ✓✓
- Any other relevant answer related to pricing of goods in rural areas.

Max (6)

**Unfair advertising**

- The Advertising Standards Authority (ASA) regulates advertising and protects the interests of the public. ✓✓
- Businesses can make unwise advertising choices when they are under pressure. ✓✓
- Advertisements should be honest and not abuse consumers' trust or lack of knowledge. ✓✓
- Advertisements can contain discriminatory conditions that exclude some sections of the population, e.g. a job advertisement that says 'this job is not suitable for women'. ✓✓
- Misleading advertising is used to make consumers believe that they can get
- More value for money if they support certain products. ✓✓
- Consumers are encouraged to lodge written complaints to the ASA regarding unethical advertising practices. ✓✓
- Businesses that advertise an item at an extremely low price to attract consumers but when the customer reaches the store, the item is no longer available. ✓✓
- Advertisements that advertise 'free' products do not always reveal the hidden costs payable by the consumer. ✓✓
- Examples of unethical practice: advertise second-hand goods as new. ✓✓
- Any other relevant answer related to unfair advertising.

Max (6)

**Professional, responsible, ethical and effective business practice methods****Businesses should not be started at the expense of someone else ✓✓**

- The aim should never be profit at all cost, as it will always be to the disadvantage of others. ✓✓
- Businesses should not use other's ideas to enrich themselves. ✓✓
- Putting someone else out of business for own gain, is unethical and a poor moral choice. ✓✓
- Any other relevant answer related to starting business at the expense of someone else.

Submax (4)

**Payment of fair wages/salaries ✓✓**

- Workers must not be exploited with low salaries just because it is difficult to find a job. ✓✓
- Workers' rights and dignity should be respected. ✓✓
- Employees make a contribution to the success and profitability of the business, therefore they must be remunerated fairly. ✓✓
- Remunerate workers for working overtime and on public holidays. ✓✓
- Any other relevant answer related to payment of fair remuneration.

Submax (4)

**Hiring honest and trustworthy accountant/financial officers with good reputations ✓✓**

- Businesses should appoint accountants who are known for their ethical and professional reputation and who can prove it with documentation. ✓✓
- Any other relevant answer related to hiring honest accountants.

Submax (4)

**Regular payment of taxes**✓✓

- Businesses should complete tax returns in detail and on time.✓✓
- Businesses should not evade tax and honestly declare all income earned.✓✓
- Business should pay tax to avoid government penalties and fines.✓✓
- Any other relevant answer related to regular tax payments.

Submax (4)

**Transparent processes and procedures**✓✓

- Staffing and other processes should be open and transparent.✓✓
- Employees should be aware of the employment policy of the business.✓✓
- All laws that govern employment should be communicated to workers.✓✓
- Any other relevant answer related to transparent processes and procedures.

Submax (4)

**Draw up a code of ethics**✓✓

- Ethical codes of conduct should be communicated to workers, so that they know what is expected and what the company stands for.✓✓
- Employees should buy into the expectations for ethical norms/conduct as set out in company's code of ethics.✓✓
- Any other relevant answer related to drawing up a code of ethics.

Submax (4)

**On-going development and training for all employees**✓✓

- Continuous and regular training is necessary to explain the importance of ethical and professional conduct.
- Employees should understand that certain conduct/actions have certain consequences.✓✓
- Employees should be encouraged to attend training courses and upgrade their skills.✓✓
- Employees promote their own career development and also contribute to an increase in productivity.✓✓
- Any other relevant answer related to on-going training and development.

Submax (4)

**Performance management system should be in place**✓✓

- Business should evaluate employees' performance against the job description.✓✓
- Employees should be acknowledged for good performance.✓✓
- Training needs can be based on the results obtained from conducting performance appraisals.✓✓
- Management systems should ensure that employees are treated equally to prevent conflict.✓✓
- Workers' rights should also be considered when management systems are introduced.✓✓
- Any other relevant answer related to performance management systems.

Submax (4)

**Managers must set the tone and example**✓✓

- Senior management members must act as role models by ensuring that their actions and decisions are in line with the code of ethics.✓✓
- Employees should have a desire to exhibit the behaviour of their managers.✓✓
- Any other relevant answer related to the example set by management.

Submax (4)

**Adequate internal controls**✓✓

- Effective monitoring systems should be in place to monitor usage of all resources.✓✓
- Regular meetings/discussions should identify and address potentials problems, in order to be pro-active or re-active.✓✓
- Workers should understand the purpose and the processes of internal control.✓✓
- Any other relevant answer related to internal control measures.

Submax (4)

**Honesty, accountability and transparency in relationships and transactions**✓✓

- Transactions/Relationships with all stakeholders, e.g. suppliers, staff, etc. should always be honest and open.✓✓
- If transactions are properly documented, a paper trail is created that supports accountability.✓✓
- Systems should protect customers, suppliers and employees, especially when dealing with financial transactions.✓✓
- Information technology should never be used to manipulate the database or make transactions look so complicated that they are not properly inspected.✓✓
- Any other relevant answer related to honest, accountable and transparent transactions/relationships.

Submax (4)

**Protection of the environment**✓✓

- All laws and regulations applicable to environmental protection should be taken seriously.✓✓
- Laws and regulations should be adhered to so that profits are not generated at the expense of the environment.✓✓
- Pollution and other environmental issues should always be considered in all business activities, e.g. safe disposal of waste/ dumping of toxic waste, etc.
- Become involved in environmental awareness programs.✓✓
- Physical working conditions should always be worker friendly, safe and should promote occupational health.
- Physical working conditions, e.g. adequate lighting, ventilation should be taken care of.✓✓
- Any other relevant answer related to the protection of the environment.

Submax (4)

Any other relevant answers on ways in which professional, responsible, ethical and effective business practice should be conducted.

**Max (16)**

**Conclusion**

- Ethics and professionalism form an integral part of business operations and practices. ✓✓
- It is important that a business's dealings and behaviour are in line with its code of ethics and professionalism. ✓✓
- Businesses who behave professionally and ethically are usually sustainable and have a good public image. ✓✓
- Any other relevant conclusion related to business ethics and professionalism.

Any (1 x 2) (2)

**[40]**
**BREAKDOWN OF MARK ALLOCATION**

Details	Maximum	Total
Introduction	2	<b>Max 32</b>
Differences	15	
Pricing of goods	6	
Unfair advertising	6	
Ways	16	
Conclusion	2	
<b>INSIGHT</b>		
Layout		2
Analysis, interpretation		2
Synthesis		2
Originality, examples		2
<b>TOTAL MARKS</b>		<b>40</b>

**Question 8**
**Introduction**

- Corporate social investment forms part of corporate social responsibility ✓
- It refers to the time, money and other resources businesses spend on improving the standard of living of the community in which they operate ✓

Max 2 marks

**Nature of CSI**

- CSI contributes towards sustainable development ✓✓
- CSI is enforceable by law and government requires businesses to make CSI contributions ✓✓
- CSI plays a positive role in the development of communities ✓✓
- CSI reveals a business's attitude towards the community in which it operates ✓✓
- CSI is a long term investment ✓✓
- The main purpose of CSI is not to increase profit but to support its communities ✓✓
- CSI is relevant to the South African context where socio-economic upliftment is a priority ✓✓

Max 8 marks

**Five challenges businesses face regarding corporate social investment**
Sustainability

- Refers to a business long term commitment to a community and CSI ✓✓
- However a business may not be able to carry on with CSI initiatives (Eg a business closes down) ✓✓

Maintenance

- Many great CSI contributions have been made already, however they are focused on just giving tools rather than skills too ✓✓

- A potentially successful project can be compromised if skills and maintenance of the project aren't taken into account ✓ ✓
- The community may not see the benefit of a CSI project despite millions of rands being invested into the community ✓ ✓

High cost of CSI

- CSI requires an ongoing commitment to be involved in the community ✓ ✓
- The requirement costs both time and money ✓ ✓
- CSI could distract the business from its core business ✓ ✓

Making a true difference

- South Africa faces a variety of socio economic problems ✓ ✓
- Many businesses spend fortunes on initiatives to uplift the community ✓ ✓
- However it appears that it is not working yet because South Africa still suffers from so many social problems ✓ ✓

Keeping up with society's long term needs

- Businesses need to develop long term CSI strategies for communities with high unemployment ✓ ✓
- Business must focus on sustainable programmes that address core issues (Eg no school in the community) ✓ ✓
- Business must also make sure that the focus on long term needs and plan to give communities skills in order to be able to use the resources properly ✓ ✓

Max 4 marks per challenge

**Conclusion**

Businesses need to ensure that the CSI they contribute are sustainable and add value to the community otherwise its not an investment for the long term of the community rather a short term solution to a long term problem. ✓ ✓

Max 2 marks