

**Business
Organization
Summer-2023**

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- Q.1.** Some of the steps that may be taken to improve the foreign currency reserves are as follows:
- (a) For a considerable period, Pakistan is faced with rising imports leading to high trade deficit. There is a need to make policies to restrict imports such as developing industries allowing for import substitution, increasing import duties and taxes on sale of imported products, as far as possible, using non-trade barriers such as licensing regime and quotas for imports, etc.
 - (b) There is a significant difference between open market and bank rates which is encouraging overseas Pakistanis to use non-banking channels to send remittances. Government should allow dollar to float freely.
 - (c) Allowing dollar to float freely would also make exports competitive and would restrict imports by making them costly.
 - (d) Providing all possible incentives to exporters.
 - (e) Strongly control on over-invoicing which is quite rampant especially in the import of machinery.
 - (f) Imports of non-essential goods may either be banned, if possible, till the situation improves or the importers may be asked to arrange foreign currency from their own resources.

Total Marks 10

- Q.2.** Strategic risks are those which relate to the achievement of the major / broader objectives of the company i.e. profitability, growth etc.

Strategic risks arise when a company makes decisions such as new product development, shifting to new manufacturing technology, new marketing methods etc.

Operational risks are those which are associated with the internal systems and processes of the company.

Risks such as disruption of production, failure of IT system, key employees leaving the organization and decline in the quality of products are some of the examples of operational risks.

- Q.2.** The ultimate responsibility for the performance of the company lies with the Board and therefore the Board cannot absolve itself of this responsibility.

Mr. Salman is correct to the extent that Board cannot manage operational risks itself. However, the Board is responsible to set up systems which identify operational risks and escalate the matter when one or more operational risks become significant and threaten the company's ability to achieve the overall objectives of the company.

It is for the Board to decide as to how it wants to fulfill the above responsibility. It may like to assign it to a committee of the Board or a Committee of the senior management or to the Internal audit department, depending upon the situation. The important thing is that a periodic review of operational risks is carried out and report thereon is presented to the Board for deliberation and policy decision.

Total Marks 10



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- Q.3.** The employees would be instructed to consider the following before finally deciding to blow the whistle:
- a**
- (i) Ascertain the facts thoroughly before making a complaint.
 - (ii) Is sufficient evidence available in support of the complaint.
 - (iii) All other possible avenues of correcting the situation have been taken or considered.
 - (iv) Consider whether any alternative exists such as reporting the matter to a person of authority or the internal audit department, etc.
 - (v) Assess that the matter is significant and important enough to justify such a complaint.
 - (vi) Malicious and frivolous reporting should be avoided.
- Q.3.** The employees would be motivated to report important matter by:
- b**
- (i) Informing them of their social and ethical responsibilities.
 - (ii) Informing them that no action would be taken against them if they make a complaint provided they act in good faith.
 - (iii) Ensuring that the complaint would first be reported to a person of authority and whom most of the employees, respect for their integrity and fair play.
 - (iv) Ensuring that the names of complainants are kept confidential as far as possible.
 - (v) Ensuring that complainants are not harassed or mistreated subsequently.
 - (vi) Rewarding them appropriately where possible.
- Q.3.** The measures which may be taken to discourage malicious and frivolous reporting are as follows:
- c**
- (i) Clearly defining criteria for deciding as to what matters are worthy of reporting.
 - (ii) Making rules for taking disciplinary action if a malicious report is made intentionally.

Total Marks 12

- Q.4.** One of the major reasons of global warming i.e. damage to environment is the emission of carbon dioxide due to activities involving in the use of fuels, which mainly constitute Carbon. Carbon neutrality is a goal which responsible organizations try to achieve and it means that they try to counter balance their Carbon emission activities by taking measures that reduce the amount of carbon in the environment.

The measures which a company can take to achieve carbon neutrality are as follows:

- (i) Making suitable changes in their processes so as to replace carbon emitting fuels with carbon neutral methods.
- (ii) Conserve energy by measures such as reduced travelling, use of solar energy, etc.
- (iii) Reducing wastage
- (iv) Recycling material
- (v) Taking environmental friendly measures such as growing trees

Total Marks 08



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Q.5. The key responsibilities of Board of Directors are as follows:

1. Determine the company's level of risk tolerance and establishing risk management policies.
2. Preparation and adoption of vision and/or mission statement and overall corporate strategy.
3. Ensuring that a formal code of conduct is in place for Board members, senior management and employees of the company.
4. Adequate systems and controls are in place for identification and redressal of grievances arising from unethical practices.
5. Maintaining a sound systems of internal controls
6. Formal and effective mechanism for annual evaluation of the performance of the Board itself, its Board members and its committees.
7. Ensuring that decision for investment and divestment of funds with maturity period of six months or more are approved by a resolution passed at a meeting of the Board.
8. Determining the nature of loans and advances that may be made by the company and setting of financial limits thereon and ensuring that the same is approved by a resolution passed at a meeting of the Board.
9. Defining materiality levels as regards specific issues.
10. Setting significant policies such as:
 - (i) Human resource management
 - (ii) Succession plan
 - (iii) Fee for non-executive directors
 - (iv) Procurement of goods and services
 - (v) Communication policy
 - (vi) Capital expenditure
 - (vii) Sale and lease of assets
 - (viii) Delegation of financial powers
 - (ix) Transactions with associated and related companies
 - (x) Environmental, social and governance matters
 - (xi) CSR
 - (xii) Whistle blowing

Total Marks 12

Q.6. The Board of Directors is a forum with policy making and oversight responsibilities. Hence, with regard to risk identification, assessment and management of risks, the responsibility of the Board is to periodically review and evaluate the management's process of risk assessment and risk management and make policies and provide guidance in this regard.

The management is responsible for:

1. Identifying the risks.
2. Evaluating and assessing the risks with regard to their possible impact on the organization and the probability/likelihood of incurring of losses. On account of the identified risks.
3. Developing appropriate controls to manage the risks, with due consideration as regards cost and benefit associated with the application of various controls.
4. Ensuring proper implementation of the controls.
5. Reporting to the Board with regard to risk assessment and controls.

Total Marks 08

Q.7. A rule-based code of ethics specifies how the employees should act in specific situations.
a Whereas, a principle-based code of ethics gives general ethical guidelines which the employees need to follow while dealing with different situations, using their best judgement or by seeking specific guidance if required.



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In my opinion, the code of ethics should be principle based because it is almost impossible to set rules to cover all situations that may be faced in a business environment. On the other hand, a principle based code would be much shorter and easy to comprehend and refer to.

Q.7. To ensure effective implementation of the code of ethics the management must:

- b**
1. Ensure that it implements the code at all levels particularly the top management.
 2. All employees are informed about the code and the related rules.
 3. Training may be provided especially in areas which are complex in nature and require application of judgement.
 4. The code must be kept updated.

Total Marks 10

Q.8. Conflict of interest:

In dealing with conflict of interest, the company should ensure that:

1. Any director who has a conflict of interest in any contract or agreement which a company is considering to approve, shall not take part in any discussion or voting in the Board with regard to such agreement or contract.
2. The presence of such director shall not be counted for the purpose of determining the presence of quorum in any such meeting.
3. If majority of directors are interested in any contract or agreement, the matter should be placed before the company in a general meeting.
4. At least two independent directors should be present in the Board meeting when any such issue is discussed for the first time.

Related party transactions

For related party transactions:

1. The Board should have a policy in place for entering into various types of related party transactions.
2. The company should place details of all such transactions before the audit committee.
3. After approval by the audit committee, these may be presented to the Board for approval.
4. Where majority of directors are interested in any such transactions, it should be placed before the general meeting of the company and approved as a Special resolution.
5. Details of all related party transactions which are not at arm's length shall also be placed separately before the Board along with justification and with the recommendation of the Audit Committee.
6. Details of every such contract and arrangement shall be included in Directors' report to the shareholders along with justification thereof.
7. The company shall keep a register containing details of all contracts or arrangements in which directors are interested.

Total Marks 10

Q.9. The factors forming part of the economic environment are as follows:

- | | |
|----------------------------------|-------------------------------------|
| 1. Per capita GDP | 7. Rates of Federal and local taxes |
| 2. Rate of growth in the economy | 8. Trade deficit / surplus |
| 3. Rate of inflation | 9. Balance of payment |
| 4. Interest rates | 10. Fiscal deficit |
| 5. Foreign exchange rates | 11. Ease of doing business |
| 6. Rate of unemployment | |



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Examples of decisions based on Economic Environment

1. In an environment with Soaring exchange rates and high deficit on balance of payment, the businesses may not like to invest in businesses requiring imported inputs.
2. Where fiscal deficits are high and tax collection is low, businesses which depend on government spending would curtail investment.
3. In areas with high unemployment rates, there would be an incentive to establish labour intensive businesses to take benefit of low wages.
4. High rates of Federal and local taxes would discourage new investment of all types.
5. High interest rates would discourage industries requiring heavy capital expenditure or industries whose customers are likely to rely on credit, e.g. Motor Vehicles, Construction, etc.

Total Marks 10

Q.10. The key steps in the development of a Business Continuity Program are as follows:

Identify threats or risks

A detailed review of all systems and procedures is required to be carried out in order to understand and identify the risks which can disrupt the systems.

Conduct a business impact analysis

Business impact analysis is a process to determine and evaluate the potential effects of disruption to critical business operations. These include loss of sales, increased expenses, loss of reputation and regulatory action.

Identify critical systems

Not all systems are critical for the purpose of a BCP as some functions have little impact if they are delayed. Therefore, it is important to identify the systems which are critical so that the controls and recovery plans should focus on them.

Preparation of recovery plan

The important matters to be covered in the plan are as follows:

1. Who would trigger/authorize the initiation of the plan?
2. The personnel who would be involved in the recovery process and their roles and contact details
3. Address where back-ups are stored
4. List of back-up sites with contact details
5. Disaster response procedures
6. Communication plan on the day the disaster takes place

Test the plan periodically

The recovery plan needs to be tested periodically so that there are no surprises on the day the disaster takes place.

Periodic review and update of the Plan

The plan needs to be reviewed and updated periodically because the business systems are procedures etc. are regularly changing.

Total Marks 10
