

**K. J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH,  
Vidyavihar, Mumbai- 400077**

**Program: PGDM (IB) (Batch2016-18), Trim.6  
Subject: Business Ethics  
(End Term Examination)**

**Date : 04/04/2018**

**Maximum Marks: 25**

**Duration: 1 ½ Hrs.**

**Instructions**

**Question 1 is compulsory. (7 marks)**

**Attempt any 3 from the remaining questions. (6 marks each)**

**QUESTION 1**

**Raiding Customer Assets at MF Global: Who Was Responsible?**

The Commodity Futures Trading Commission recently filed a complaint against Jon Corzine, CEO of MF Global, charging him with directing one of his mid-level managers, Edith O'Brien, to transfer millions of dollars of customer assets to cover a bank overdraft that threatened to sink the firm. If he did so, the former head of Goldman Sachs, U.S. Senator, and governor of New Jersey broke the law. However, Corzine's lawyer claims his client is not guilty as charged because "it never dawned on" him that when he, the boss, approached his subordinate with a subtle request to "find" \$175 million that that call would cause her to "violate the golden rule" of protecting customer assets.

Corzine faced a dilemma: his bold efforts to transform MF Global—"a plain vanilla commodities firm"—into a full-blown investment bank a la Goldman, would collapse if it didn't quickly deal with overdrawn accounts at JPMorgan Chase, the firm's principle bank, which was threatening to stop doing business with MF Global. Moreover, Corzine's lawyer says that Corzine "never directed Ms. O'Brien or anyone else regarding which account should be used to cure the overdrafts, and he never directed that customer funds should be used for that purpose. Nor was he informed that customer funds had been used for that purpose."

O'Brien, a life-long middle manager, does not dispute the fact that Corzine never explicitly ordered her to take the funds from customer accounts. She seems to admit that she knew what she was doing was wrong, but she had no choice because customer accounts were "the only place where we had the \$175 million" needed to cover the overdraft. MF Global has subsequently declared bankruptcy.

**Questions:**

1. Did Corzine act appropriately? How would you characterize his behavior legally & ethically? What other choices did he have?

2. Did Ms. O'Brien behave realistically? What other choices did she have?
3. Should the actions of either Corzine or O'Brien (or both or neither) be considered criminally negligent? Why?
4. What role should the firm's Ethics and Compliance Officer play in this case?

**QUESTION 2** Explain ethical issues related to marketing of certain global brands in retail.

**QUESTION 3** Provide specific examples of how you think an effective ethics program may help sensitize employees to potential legal and ethical issues?

**QUESTION 4** What is meant by “corporate culture? And what does corporate culture have to do with business ethics?

**QUESTION 5** What are the moral theories of ethics? Discuss the process of ethical decision making.

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