

The
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POSTGRADUATE UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
DEGREE OF MASTER OF BUSINESS ADMINISTRATION

MBA 503: BUSINESS LAW AND ETHICS

DATE: 30TH MARCH 2026

DURATION: 3 HOURS

MAXIMUM MARKS: 60

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **FOUR (4)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **TWO** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

ETHICS, INTELLECTUAL PROPERTY, AND ENVIRONMENTAL COMPLIANCE

A multinational corporation operating across the apparel, software, and chemical manufacturing sectors faces increasing scrutiny over its global business practices. The company sources cotton from a developing country where reports of child labor and poor working conditions are prevalent. Although local suppliers argue that such labor practices are common and culturally accepted in the region, international investors and consumers expect adherence to global ethical standards. Media exposure of unethical sourcing could result in severe reputational damage and loss of brand trust. Management must weigh ethical responsibilities against cost advantages and supply chain stability. The dilemma highlights the tension between local norms and universal ethical principles in international business.

At the same time, the corporation's software division is confronting intellectual property infringement in a Southeast Asian market. A local competitor is selling pirated versions of its flagship software in a jurisdiction with weak enforcement of intellectual property laws. Legal action in this market is costly and uncertain, yet inaction could normalize infringement and erode competitive advantage. The company is also concerned about losing market share if enforcement strategies are too aggressive. Management is exploring the use of international treaties, local legal mechanisms, and alternative business models. Licensing agreements are being considered as a way to legitimize distribution while protecting proprietary assets.

In addition, the firm's chemical manufacturing unit plans to export industrial cleaning agents to a European market with stringent

environmental regulations. Regulatory authorities require comprehensive documentation on chemical composition, safety data, and environmental impact. Failure to comply could result in rejected shipments, financial penalties, and long-term reputational harm. Adapting production processes to meet these standards may increase operational costs. However, non-compliance poses even greater financial and strategic risks. Management must determine how to align environmental responsibility with cost competitiveness.

Across all three divisions, the company faces a common challenge of operating ethically and legally in diverse regulatory environments. Stakeholders increasingly expect transparency, sustainability, and respect for international norms. Short-term profitability achieved through cost-cutting or regulatory avoidance could undermine long-term business sustainability. Conversely, proactive compliance and ethical leadership may strengthen brand reputation and stakeholder trust. The company recognizes that global operations require consistent standards rather than fragmented local practices. Strategic integration of ethics, legal compliance, and sustainability is therefore essential.

To address labor concerns, management is evaluating whether to continue sourcing from the current suppliers or shift to alternative regions. Implementing stricter supplier audits and ethical sourcing policies could improve labor conditions but may increase procurement costs. Corporate social responsibility initiatives, such as funding education programs, are also under consideration. These measures could mitigate reputational risk while contributing to local community development. However, enforcement across complex supply chains remains a significant challenge. The decision will shape the company's ethical identity in the global marketplace. Ultimately, the company must adopt a holistic risk management approach that addresses ethical, legal, and environmental dimensions simultaneously. Intellectual property protection, ethical sourcing, and environmental compliance are no longer optional but integral to global competitiveness. The integration of international standards, certifications, and partnerships can help balance

profitability with responsibility. Management understands that failure in any one area can have cascading effects across the entire organization. Long-term success depends on aligning corporate strategy with global expectations. This case illustrates the complexity of decision-making in multinational enterprises.

Required:

a) Evaluate the ethical and legal risks faced by the multinational corporation.

(10 marks)

b) Propose strategies the company can use to mitigate labor-related ethical risks while maintaining profitability.

(10 marks)

c) Recommend measures to protect the company's intellectual property in international markets with weak enforcement.

(10 marks)

QUESTION TWO

a) A mid-sized Kenyan technology firm that specializes in solar energy solutions is planning to expand its operations into several European countries over the next two years. The company has limited capital but wants to maximize market reach quickly. Some European markets are highly competitive, while others are still developing in renewable energy adoption. The firm also lacks local networks and knowledge of regulatory requirements. Management is unsure whether to invest heavily in a local subsidiary or pursue less capital-intensive entry methods. Advice on the most suitable mode of entry that balances risk, cost, and potential market impact.

(5 marks)

b) A German manufacturer offers to sell 1,000 industrial machines to a Nigerian company, specifying delivery within three months. The

Nigerian buyer responds by accepting the offer but requests a slight modification to the delivery schedule. The German company is unsure whether this constitutes acceptance or a counteroffer. Both parties have a history of informal correspondence and rely heavily on established trade practices. There is no explicit requirement for written contracts under their respective national laws. The companies now seek guidance on whether a valid international sales contract has been formed under the CISG. Analyse if a valid contract exists under CISG. **(10 marks)**

QUESTION THREE

a) Two multinational companies, one based in Japan and the other in Brazil, entered into a supply contract for automotive parts. The Brazilian company claims that delivery was delayed and parts were damaged upon arrival. Litigation in either country would be slow, expensive, and complicated by language and legal differences. Both parties want to preserve the business relationship while avoiding lengthy court procedures. They are considering alternative ways to resolve the dispute. The management teams are unsure whether mediation or arbitration would be most effective. Recommend an appropriate dispute resolution mechanism.

(5 marks)

b) An Indian exporter contracts to sell 500 tons of rice to a Singaporean buyer under CIF terms. The shipment is lost at sea during transit due to severe weather conditions. The buyer claims that the exporter should bear the loss, while the exporter refers to the CIF terms. Both parties are unsure about how risk allocation and insurance claims apply. They also want guidance on whether they can recover any losses through insurance. Understanding the responsibilities and

liabilities of both parties is critical before proceeding with any legal or insurance action. Explain who bears the risk and what insurance claims are possible.

(10

marks)

QUESTION FOUR

a) A small Egyptian electronics business wants to import smartphones from a Chinese supplier. The company has limited capital and cannot make full payment upfront. The exporter is hesitant to ship goods without secure payment guarantees. Both parties are exploring trade finance options that protect the exporter while allowing the importer to receive goods. The bank has suggested several instruments but the company is unsure which suits its size and risk profile. Management seeks guidance on the most efficient method to facilitate safe and timely international trade. Recommend suitable trade finance methods and explain the rationale.

(8

Marks)

b) A developing country recently imposed high tariffs on imported steel to protect its domestic steel industry. Several WTO member countries claim this violates trade agreements and threaten to file a dispute. The government argues that the tariffs are necessary to preserve jobs and support economic growth. Domestic manufacturers support the tariffs, while exporters worry about retaliatory measures. Trade experts are tasked with analyzing whether the tariffs comply with GATT and WTO rules. Understanding the legal framework and potential consequences is essential for informed policy-making. Analyze the situation under GATT/WTO rules.

(7

marks)