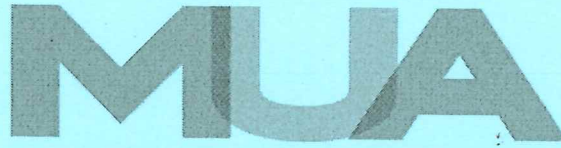


The
Management
University
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP/ DEGREE OF
BACHELOR OF COMMERCE/ DEGREE OF BACHELOR OF ARTS IN
DEVELOPMENT STUDIES

UCU 102/BCM 421 : ETHICS AND PROFESSIONAL CONDUCT/BUSINESS
ETHICS

DATE: 28TH MARCH 2023

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. DO NOT write on this question paper.
3. This paper contains SIX (6) questions.
4. Question ONE is compulsory.
5. Answer any other THREE questions.
6. Question ONE carries 25 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:

PRESSURE TO PARTICIPATE IN FRAUDULENT ACTIVITY

You and your partner have recently moved to a remote coastal town in order to further your partner's career. You have found employment as a financial accountant at a local private company. The company's operations are all related to tourism, and it has, as its principal asset, a large Victorian hotel. The company is owned by two directors – a married couple – who are actively engaged in the day-to-day running of the business. You get on well with the directors and staff, and the directors of the company are clearly popular and well respected in the local community. You are still within your probationary period of employment. The company had faced some serious cash flow difficulties shortly before you took up your post. However, a re-mortgaging arrangement has, apparently, eased the financial pressure.

The managing director comes to you with a company cheque for €/£4,000, which he has already signed. He asks for your countersignature, explaining that it is the deposit for the design work and furnishings for some of the hotel bedrooms. There is a formal invoice from a design studio, but you are surprised as you were not aware that any such outlays had been planned. Nevertheless, given the explanation and the supporting invoice, you countersign the cheque. Out of curiosity, you decide to conduct some research into the design studio. This indicates that it is a company that had, in the past, a high level of indebtedness. You note that the company secretary appears to be a close family relative of the directors for whom you work. Two days later, the managing director comes to you with another cheque, this time for €/£25,000, again needing only your countersignature. There is a supporting invoice from the same design studio. You are hesitant, and the managing director explains that he is only asking you to counter-sign the cheque because his partner is not in the office. He says that it is important to submit the cheque promptly so that it may be banked before 30th April. You ask why there is such urgency, particularly as there is no evidence of any design work having started. The managing director laughs and replies that the money should be back in the hotel bank account by the middle of

summer. He explains that the cheques are needed urgently to settle outstanding directors' loan accounts at the design studio, as its year end is approaching. Once the year end has passed, the money should be returned to the hotel company and a supporting credit note received.

Required

- a) Illustrate ethical challenges in this case. (5 marks)
- b) Explain what would be your key considerations in your approach to resolving the dilemma presented in this case. (12 marks)
- c) Discuss the four corporate governance principles that should be implemented in this situation. (8 marks)

QUESTION TWO

- a) Define ethics and evaluate the two levels of ethics. (7 Marks)
- b) Discuss Utilitarianism's theory in the context of moral reasoning in your workplace. (8 marks)

QUESTION THREE

- a) Discuss Kohlberg's stage theory of moral development. (12 marks)
- b) Explain conflict of interest and cite one example of it. (3 marks)

QUESTION FOUR

- a) Describe corporate social responsibility (CSR) and examine four arguments in support of CSR. (9 marks)
- b) Examine the relationship between ethics and laws. (6 marks)

QUESTION FIVE

- a) Describe three drawbacks of multinational firms to a country such as Kenya. (6 marks)
- b) Price discrimination approaches are divided into three categories. Discuss. (6 marks)
- c) Explain justifications for executive compensation. (3 marks)

QUESTION SIX

- a) Describe intellectual property rights and provide four examples.(5 marks)
- b) Define a code of conduct and outline the five advantages of having one in any company. (6 marks)
- c) Assess the ethical issues that accountants encounter in their jobs. (4 marks)