



**UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL**

**FINAL EXAMINATION
JULY 2024 SEMESTER**

COURSE CODE	: EAB31303
COURSE NAME	: CORPORATE ETHICS AND GOVERNANCE
PROGRAMME NAME	: BACHELOR IN ACCOUNTING (HONS)
DATE	: 21 SEPTEMBER 2024
TIME	: 9.00 AM – 12.00 PM
DURATION	: 3 HOURS

INSTRUCTIONS TO CANDIDATES

1. Please **CAREFULLY** read the instructions given in the question paper.
2. This question paper has information printed on both sides of the paper.
3. This question paper consists of **THREE (3) Sections; Sections A, Section B and Section C.**
4. Answer **ALL** questions in **Sections A, Section B and Section C.**
5. Please write your answers on the OMR answer sheet and answer booklet provided.
6. All questions must be answered in **English** (any other language is not allowed).
7. This question paper must not be removed from the examination hall.

THERE ARE NINE (9) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

SECTION A (Total: 70 marks)**INSTRUCTION: Answer ALL questions.****Please use the answer booklet provided.****CASE STUDY 1****Case: Corporate Strategy at PharmaCo**

PharmaCo, a large pharmaceutical company, has a strong portfolio of patented drugs, generating substantial revenue from blockbuster medications. However, the company has been criticized for setting excessively high prices for its medications, making them unaffordable for many patients.

The company has implemented significant price hikes on existing drugs without clear justification, impacting patients who rely on these medications for chronic conditions. These practices have not only led to public outrage but have also attracted regulatory investigations and legal challenges.

PharmaCo's also undertake aggressive marketing tactics include direct-to-consumer advertising that exaggerates the benefits of its drugs while downplaying potential risks. Thus, the company has also been accused of incentivizing doctors to prescribe its medications through kickbacks and other unethical means. Consequently ,

To make matters worst, PharmaCo has been found to selectively report clinical trial results, emphasizing positive outcomes while withholding negative data. This lack of transparency has raised concerns about the safety and efficacy of its drugs, as healthcare providers and patients do not have complete information.

With reference to the above mentioned case, answer all the following questions.

QUESTIONS:

- a) Suggest some corrective actions can PharmaCo take to address ethical issues in its marketing practices.

(7 marks)

- b) Discuss the importance of transparency in clinical trial reporting and suggest ways how did PharmaCo improve in this area?

(8 marks)

- c) Debate the lesson that can be learned from PharmaCo's experience regarding the integration of ethical considerations into corporate strategy.

(10 marks)

CASE STUDY 2**Case: The Volkswagen Emissions Scandal**

Volkswagen AG (VW), a global leader in automotive manufacturing had marketed its diesel vehicles as "clean diesel" alternatives, claiming they offered high performance with low emissions. These vehicles were particularly popular in markets that emphasized environmental sustainability, such as Europe and the United States. VW's strategy was to position itself as a leader in green technology, appealing to eco-conscious consumers.

Conversely, in September 2015, the United States Environmental Protection Agency (EPA) revealed that VW had embedded software in its diesel engines that could detect when the vehicle was undergoing emissions testing. During these tests, the software adjusted the engine's performance to meet legal emissions standards. However, the company falsely advertised its vehicles as environmentally friendly, exploiting consumer trust and prioritizing profits over honesty.

Nonetheless, during normal driving conditions, the vehicles emitted nitrogen oxides (NOx) at levels up to 40 times higher than permitted by law. The excessive NOx emissions contributed significantly to air pollution, which has adverse effects on public health and the environment. Approximately 11 million cars worldwide, including 500,000 in the United States, were affected.

The scandal highlighted severe flaws in VW's corporate governance, including inadequate oversight and internal controls. It also raised questions about the ethical standards within the company's leadership and their commitment to legal compliance. As a result, VW faced extensive fines and settlements exceeding \$30 billion. In the U.S. itself, a \$14.7 billion settlement included vehicle buybacks, environmental remediation, and compensation. On top of that, several VW executives were charged criminally, with some serving prison sentences. The scandal severely damaged VW's reputation, leading to a significant loss of consumer trust and the company's image as a leader in green technology was undermined.

With reference to the above mentioned case, answer all the following questions.

QUESTIONS:

- a) Discuss how did Volkswagen's actions conflict with principles of ethical marketing.
(7 marks)
- b) Discuss what long-term impacts did the Volkswagen scandal have on the company and the automotive industry.
(8 marks)
- c) If you are the Chief Executive Officer Volkswagen how should you handled the situation once the emissions scandal was uncovered?
(10 marks)

CASE STUDY 3**Case: Human Resource Management at XYZ Corporation**

XYZ Corporation, a mid-sized tech company, has been experiencing rapid growth over the past few years. XYZ Corporation prides itself on being an innovative and inclusive workplace. However, recent internal audits and employee feedback have revealed significant ethical concerns in its Human Resource Management (HRM) practices. These concerns have the potential to damage the company's reputation, employee morale, and overall performance.

The internal audit had revealed hiring practices which had indicated a pattern of discrimination against minority candidates. Despite a diverse applicant pool, it was found that the majority of hires were white males. Interviews with HR staff revealed implicit biases in the recruitment process, leading to qualified minority candidates being overlooked.

The audit reports also surfaced about the unfair treatment of certain groups of employees, particularly women and older employees. There were complaints which included unequal pay, lack of promotion opportunities, and biased performance evaluations. It seems that the female employees were receiving lower salaries than their male counterparts for similar roles, and older employees noted a lack of opportunities for advancement.

Consequently, several employees have filed complaints about workplace harassment, but the company's response was inadequate. Investigations were delayed or poorly conducted, and some complaints were dismissed without proper review. Victims of harassment reported feeling unsafe and unsupported, leading to decreased job satisfaction and productivity.

The revelation of these ethical issues damaged XYZ Corporation's reputation, leading to negative media coverage and loss of trust among stakeholders.

With reference to the above mentioned case, answer all the following questions.

QUESTIONS:

- a) Discuss the lessons that can be learned from XYZ Corporation's experience regarding diversity and inclusion.

(10 marks)

- b) Discuss ways on how can XYZ Corporation improves its transparency in Human Resource Management practises.

(10 marks)

SECTION B (Total: 20 marks)**INSTRUCTION: Answer ALL questions.****Please use the objective answer sheet provided.**

1. What is relativism?
 - A. Ethical issues.
 - B. Laws and policies to cover issues of right or wrong, ethics is irrelevant.
 - C. Ethical beliefs vary widely, and no universal ethical principles that apply to everyone.
 - D. Is the study of the morality of what is considered right or wrong.

2. The part of human behavior that can be evaluated in terms of right or wrong is called _____.
 - A. ethical opinions
 - B. morality
 - C. ethical issues
 - D. behavior

3. Code of Ethics is _____.
 - A. a set of guidelines which govern behaviour
 - B. rules that you go by
 - C. a way you act out
 - D. none of the above

4. Below are the characteristics of an ethical organization, except:
 - A. Trust.
 - B. Integrity.
 - C. Brave.
 - D. Transparency.

5. Corporate Social Responsibility (CSR) is _____.
 - A. empowering others who helped the company become successful or whom the company is benefiting from in the business society, community, etc.
 - B. the continuous commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.
 - C. guiding standards of an organization that affirm what should be practiced.
 - D. treating employees fairly, communicating with them honestly and openly.

6. In general, organizations may exercise social responsibility towards the following three (3) areas, except:
- A. Integration.
 - B. Constituents.
 - C. Natural environment.
 - D. General social welfare.
7. Corporate governance consists of the various duties, obligations, and rights that control and direct a corporation. Below are the importance of corporate governance, except:-
- A. Public Acceptance.
 - B. Maximizing risks.
 - C. Public Image.
 - D. Acknowledgement of Roles and Responsibilities.
8. The group of people who are given the authority by the governing body to achieve the desired results can be defined as _____
- A. Corporate System.
 - B. Corporate Management.
 - C. Corporate Governance.
 - D. Corporate Social Responsibility.
9. There are many prominences of corporate governance. Below are the prominences of corporate governance, except:-
- A. Risk management.
 - B. Governance of ethics.
 - C. Stakeholder activism.
 - D. Ethics of governance.
10. What does business ethics refer to?
- A. Maximizing profits at any cost
 - B. Following laws and regulations
 - C. Applying ethical principles to business behavior
 - D. Achieving corporate social responsibility

11. Why is business ethics important?
- A. It helps companies maximize profits
 - B. It ensures compliance with laws only
 - C. It builds trust with stakeholders
 - D. It limits corporate growth
12. Which of the following is an example of an ethical dilemma in business?
- A. Increasing shareholder dividends
 - B. Offering fair wages to employees
 - C. Disclosing confidential customer information
 - D. Promoting employee wellness programs
13. What role does corporate governance play in business ethics?
- A. It enforces compliance with laws
 - B. It ensures accountability and transparency
 - C. It maximizes shareholder wealth
 - D. It minimizes stakeholder engagement
14. How can a company promote an ethical culture?
- A. By prioritizing profits over ethics
 - B. By discouraging whistleblowing
 - C. By implementing clear ethical policies
 - D. By ignoring employee concerns
15. Whistleblowing is:
- A. Encouraged by unethical companies
 - B. A violation of corporate governance
 - C. Reporting unethical behavior within an organization
 - D. Not protected by laws
16. What is the purpose of a supplier code of conduct in corporate governance?
- A. To maximize profits
 - B. To ensure compliance with laws only
 - C. To promote ethical practices in the supply chain
 - D. To minimize stakeholder engagement

17. Which of the following is an example of corporate social responsibility (CSR)?
- A. Exploiting natural resources
 - B. Ignoring environmental regulations
 - C. Investing in community development projects
 - D. Disregarding employee rights
18. How can companies address ethical issues related to data privacy?
- A. By ignoring data privacy concerns
 - B. By implementing robust data privacy measures
 - C. By sharing customer data without consent
 - D. By avoiding data collection
19. What is the role of ethical leadership in promoting business ethics?
- A. To maximize shareholder wealth
 - B. To set a positive example and communicate ethical values
 - C. To discourage transparency and accountability
 - D. To prioritize personal interests
20. Ethics requires that the promotion of human welfare be done _____.
- A. based on the personal opinions of the decision maker.
 - B. based on the level of need of the beneficiaries.
 - C. understanding the religious beliefs of the beneficiary.
 - D. in a manner that is acceptable and reasonable from all relevant points of view.

SECTION C (Total: 10 marks)**INSTRUCTION: Answer ALL questions.****Please use the answer booklet provided.**

1. The part of human behavior that can be evaluated in terms of right or wrong is called ethical opinions.
(True/False)
2. Moral principles can be defined as the principles of right and wrong accepted by an individual or a social group.
(True/False)
3. Businesses damage the environment when they take natural resources from the Earth and dispose of waste. All of this is done within the natural environment, a kind of ecological system or "ecosystem". This is called a human-centered perspective.
(True/False)
4. Organizational Values are a collective value of the organization's assets.
(True/False)
5. Providing products that maximize the risk of injury to users and damage to property or the environment is good ethics in operation management.
(True/False)
6. Corporate Social Responsibility is the system by which companies are directed and controlled.
(True/False)
7. Choices made according to the law are legal or illegal choices.
(True/False)
8. The group of people who are given the authority by the governing body to achieve the desired results can be defined as corporate management.
(True/False)
9. A director has to be diligent in performing director's duties. Sufficient time should be devoted to company affairs. It is categorized under duty of care.
(True/False)

10. Managing director is also known as chief executive officer.

(True/False)

END OF QUESTIONS

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