CONFIDENTIAL

UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
MARCH 2024 SEMESTER

COURSE CODE	:	EAB31303
COURSE NAME	:	CORPORATE ETHICS AND GOVERNANCE
PROGRAMME NAME	:	BACHELOR IN ACCOUNTING (HONS)
DATE	:	6 JULY 2024
TIME	:	2.00 PM – 5.00 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**. **Section A**, **Section B** and **Section C**.
4. Answer **ALL** questions in **Section A**, **Section B** and **Section C**.
5. Please write your answers on the 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 THIRTEEN (13) PAGES OF QUESTIONS, INCLUDING THIS PAGE.

SECTION A (Total: 70 Marks)

INSTRUCTION: Answer ALL Questions.
Please use the answer booklet provided.

CASE STUDY 1

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:

a) Examine the primary ethical violations in the Volkswagen emissions scandal.
(7 marks)

b) Discuss how did Volkswagen's actions conflict with principles of ethical marketing.
(8 marks)

c) If you are the Chief Executive Officer of Volkswagen suggest steps to other automobile companies to take in ensuring ethical practices in marketing and avoid similar scandals.
(10 marks)

CASE STUDY 2

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:

a) Discuss how the practise of discrimination in hiring practices affect XYZ Corporation.

(7 marks)

b) Suggest some steps that XYZ Corporation can take to address harassment complaints effectively.

(8 Marks)

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

(10 marks)

CASE STUDY 3

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.

Questions:

a) Discuss the main ethical issues in PharmaCo's corporate strategy.

(10 marks)

b) Examine how did PharmaCo's drug pricing strategy has impacted patients' and the company's reputation?

(10 marks)

SECTION B (Total: 20 Marks)

INSTRUCTION: Answer ALL questions.

Please use the objective answer sheet provided.

1) 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

2) 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

3) 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

4) 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

5) Which of the following best defines ethical issues in management?

A. Maximizing profits at any cost
B. Treating employees fairly and with respect
C. Following laws and regulations
D. Balancing competing interests and values

6) What is the primary responsibility of management regarding ethical issues?

A. Maximizing shareholder wealth
B. Minimizing employee benefits
C. Ensuring compliance with laws
D. Setting the ethical tone and guiding behavior

7) Which of the following is an example of an ethical dilemma in management?

A. Providing training opportunities for employees
B. Firing employees without cause
C. Protecting confidential company information
D. Balancing the interests of shareholders and employees

8) How can management promote ethical behavior in the workplace?

A. By ignoring employee concerns
B. By setting clear expectations and leading by example
C. By avoiding transparency and accountability
D. By prioritizing personal interests

9) What role does transparency play in addressing ethical issues in management?

A. It encourages unethical behavior
B. It fosters trust and accountability
C. It minimizes stakeholder engagement
D. It limits corporate growth

10) Why is ethical marketing important?

A. It helps companies maximize profits
B. It ensures compliance with laws only
C. It builds trust with customers
D. It limits market competition

11) Which of the following is an example of an ethical dilemma in marketing?

A. Offering discounts to loyal customers
B. Making false claims about product benefits
C. Providing accurate information to consumers
D. Promoting environmental sustainability

12) How can companies promote ethical marketing practices?

A. By prioritizing profits over ethical considerations
B. By avoiding transparency and accountability
C. By implementing clear ethical guidelines and codes of conduct
D. By ignoring customer feedback

13) What role does transparency play in ethical marketing?

A. It encourages deceptive practices
B. It fosters trust and credibility with consumers
C. It minimizes market competition
D. It limits corporate growth

14) What is greenwashing in the context of marketing?

A. Promoting environmentally friendly products
B. Misleading consumers about the environmental benefits of products
C. Implementing sustainable business practices
D. Being transparent about product ingredients

15) What does corporate governance refer to?

A. Maximizing profits at any cost
B. Following laws and regulations
C. The system of rules, practices, and processes by which a company is directed and controlled.
D. Achieving market dominance

16) Why is ethical corporate governance important?

A. It ensures compliance with laws only
B. It fosters transparency, accountability, and fairness
C. It maximizes shareholder wealth
D. It limits stakeholder engagement

17) Which of the following is an example of an ethical dilemma in corporate governance?

A. Maximizing shareholder profits
B. Failing to disclose financial information to investors
C. Implementing employee wellness programs
D. Providing training opportunities for employees

18) How can companies promote ethical corporate governance?

A. By ignoring shareholder concerns
B. By implementing clear corporate governance guidelines and codes of conduct
C. By avoiding transparency and accountability
D. By prioritizing personal interests

19) What role does transparency play in ethical corporate governance?

A. It encourages unethical behavior
B. It fosters trust and confidence among stakeholders
C. It minimizes shareholder engagement
D. It limits corporate growth

20) Whistleblowing in corporate governance refers to:

A. Encouraging unethical behavior within an organization
B. Reporting unethical behavior to external authorities
C. Ignoring corporate misconduct
D. Maximizing personal gain

SECTION C (Total: 10 Marks)

INSTRUCTION: Answer ALL questions.
Please use the answer booklet provided.

1. Organizational Values are a collective value of the organization's assets.

(True/False)

2. 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)

3. Corporate Social Responsibility is the system by which companies are directed and controlled.

(True/False)

4. Choices made according to the law are legal or illegal choices.

(True/False)

5. 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)

6. 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)

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

(True/False)

8. The part of human behavior that can be evaluated in terms of right or wrong is called ethical opinions.

(True/False)

9. Moral principles can be defined as the principles of right and wrong accepted by an individual or a social group.

(True/False)

10. 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)

END OF EXAMINATION PAPER