



**UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL**

**FINAL EXAMINATION
OCTOBER 2024 SEMESTER**

COURSE CODE	: EAB31303
COURSE NAME	: CORPORATE ETHICS AND GOVERNANCE
PROGRAMME NAME	: BACHELOR IN ACCOUNTING (HONS)
DATE	: 12 FEBRUARY 2025
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 TEN (10) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

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

1. 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.

2. Individual codes of conduct based on one's value structures regarding how one should live, how one should act, what one should do, and what kind of a person should one be is sometimes referred to as _____.
 - A. morality
 - B. independence
 - C. leadership
 - D. rationality

3. 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.

4. 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

5. Which of the following statements is true about ethical decision making in business?
- A. Ethical decision making is limited to the type of major corporate decisions with social consequences.
 - B. Every employee does not face an issue that requires ethical decision making.
 - C. All ethical decisions can be covered by economic, legal, or company rules and regulations.
 - D. Ethical decision making should rely on the personal values and principles of the individuals involved.
6. Which of the following is the first step in making an ethically responsible decision?
- A. Determining the facts of the situation
 - B. Considering the available alternatives
 - C. Monitoring and learning from the outcomes
 - D. Comparing and weighing alternatives
7. In the ethical decision-making process, once one examines the facts and identifies the ethical issues involved, one should next _____.
- A. make the decision
 - B. consider the available alternatives
 - C. monitor and learn from the outcomes
 - D. identify the stakeholders
8. 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.

9. The three major categories of an ethical framework are:
- A. utility, virtue, and values.
 - B. universal rights, values, and moral principles.
 - C. universal rights, cultural norms, and morals.
 - D. consequences, principles, and personal character.
10. The study of various character traits that can contribute to, or obstruct, a happy and meaningful human life is part of ____.
- A. Kantian tradition
 - B. virtue ethics
 - C. principle-based ethics
 - D. utilitarianism
11. Which of the following statements reflects the approach of a principle-based ethical tradition?
- A. Obey the law
 - B. Ends justify the means
 - C. Maximize the overall good
 - D. Survival of the fittest
12. Sustainability holds that:
- A. a firm's financial goals must be balanced against environmental considerations.
 - B. a firm must place social considerations below tasks beneficial to its growth.
 - C. a firm must not prioritize social goals at the expense of economic growth.
 - D. a firm's sustenance is affected by overemphasis on environmental considerations.
13. The defenders of the sustainability approach toward corporate social responsibility (CSR) point out that ____.
- A. all economic activity exists within a biosphere that supports all life
 - B. the success of a business must be judged only against profitability
 - C. people have a strong ethical duty to cause no harm, and only a *prima facie* duty to prevent harm
 - D. businesses' sole social responsibility is to fulfill the economic functions they were designed to serve

14. Which of the following is a similarity between utilitarianism and stakeholder theory?
- A. Both place organizational benefits above other considerations.
 - B. Both consider the consequences of management decisions for the well-being of all affected groups.
 - C. Both contribute to society in ways that go beyond the narrow obligations of law and economics.
 - D. Both strive to focus only on consumers.
15. Which of the following statements is true of the common view of corporate social responsibility (CSR)?
- A. It has its roots in the deontological tradition and Keynesian economics.
 - B. It holds that the primary responsibility of managers is to serve shareholders.
 - C. It holds that profit is independent of optimal allocation of resources.
 - D. It states that business has a strict obligation to contribute to social causes.
16. The term "sweatshops" refers to workplaces where:
- A. employers constantly supervise and evaluate employees.
 - B. employee interests are protected by rights from being subjected to utilitarian and financial calculations.
 - C. employers treat employees well as a means to produce greater workplace harmony.
 - D. employees lack even the most basic health and safety protections.
17. Which of the following is true of "bullying" in the workplace?
- A. The mistreatment of an employee needs to be physically threatening to be termed bullying.
 - B. Bullying can involve a boss who is constantly yelling dictates at workers because that is his job.
 - C. When a coworker spreads rumors about another in order to sabotage his position, he is not regarded a bully as he is not higher than the other employee in the hierarchy of authority.
 - D. Bullying is independent of emotional abuse that results in a complete loss of personal dignity.

18. A consumer's consent to purchase a product is not informed if that consumer is:
- A. unwilling to listen to the product details from the salesperson.
 - B. injured after using the product and filed a product liability suit.
 - C. asked to buy the product without a warranty.
 - D. being misled or deceived about the product.
19. 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.
20. 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.

SECTION B (Total: 10 marks)**INSTRUCTION: Answer TRUE or FALSE for ALL questions.****Please use the answer booklet provided.**

1. Corporate Governance primarily focuses on maximizing profits for shareholders, regardless of the impact on other stakeholders.
2. The board of directors plays no significant role in corporate governance.
3. A strong system of corporate governance ensures transparency, accountability, and ethical behavior within a company.
4. Ethical theories are patterns of thinking, or methodologies, to help us decide what to do.
5. Ethical values are personal codes of ethics that ensure that a person meets his or her individual standards of well-being.
6. Ethical leaders prioritize personal gain over the well-being of their employees and the organization.
7. Islamic ethics is primarily concerned with individual rights and freedoms, with little emphasis on social responsibility.
8. The stakeholder model of corporate social responsibility (CSR) views business as a citizen of the society in which it operates and, like all members of a society, business must conform to the normal range of ethical duties and obligations that all citizens face.
9. Justice and compassion are central principles within Islamic ethics.
10. Transparency and honesty are key characteristics of ethical leadership.

SECTION C (Total: 20 marks)**INSTRUCTION: Answer ALL questions.****Please use the answer booklet provided.****CASE STUDY 1****Malaysia Risks Environmental Disaster by Ignoring Earth's Warning Signs**

Sahabat Alam Malaysia (SAM) president Meenakshi Raman said the country could not go on making trade-offs between economic and environmental imperatives, which often sees the latter being sacrificed.

"We cannot go on making such trade-offs. It is about time we realise that we have reached the limits of what Mother Earth can take, and if we continue to ignore these warning signs and limits, we will face environmental calamities which will be hugely costly, both in human and economic terms.

"As we have said before, it is not enough to dedicate one day in a year to remember her, if we are to save her and save ourselves.

"We must remember her every day and put the environment and ecology at the centre of decision-making if we are to prevent future calamities, resulting in catastrophic environmental impacts with economic implications."

She cited examples including the devastating impacts of massive floods from heavy rain due to global warming and water cuts and shortages due to pollution of the rivers and the mismanagement of our river basins and deforestation.

"What is deeply frustrating and depressing is that we continue to learn about activities that undermine our sustainability," she said in conjunction with Earth Day today.

Meenakshi said according to a survey by the Rimba Disclosure Project (RDP), forests totalling nearly the area of Singapore, or roughly three times that of Kuala Lumpur, had been earmarked for clearing in Peninsular Malaysia.

She said the report stated that Malaysia would see deforestation amounting to at least 72,584.73ha in the near future, as 86 environmental impact assessment (EIA) reports involving forested land had been approved, 28 listings of forests for sale had been identified, and one project involving deforestation was ongoing.

Meenakshi said a coalition of non-governmental organisations (NGO) under the banner of "Gabungan Darurat Iklim Malaysia" (which includes SAM), had on April 20, urged the government at the federal, state and local levels to declare a Climate Emergency in Malaysia no later than Sept 16 (Malaysia Day), with a proposed detailed recommendations to address the climate emergency with a "strong political will".

"We once again call for transformative commitments and paradigm shifts in the way we produce and consume. A fundamental rethink and shift in the mindset is most needed.

"It is unacceptable to destroy our food producing sectors when food prices and food imports are sky-rocketing," she noted.

New Straits Times, 22 April 2022

Based on the news article:

- (a) What environmental challenges are mentioned in the statement as examples?
(2 marks)
- (b) What is the coalition of non-governmental organizations (NGOs) advocating for, and what is the deadline mentioned in their call?
(3 marks)
- (c) How can individuals and businesses incorporate environmental ethics into their daily practices?
(5 marks)

CASE STUDY 2

Case Study on Financial Ethics: The Bernie Madoff Case

On December 11, 2008, as the arrest of Benard Madoff, the former non-executive chairman of NASDAQ and chairman of Bernard L. Madoff Investment Securities LLC, many investors, big firms, banks, charities, universities and even governments were in panic, realizing that they were involved in a giant financial fraud, 'all just one big lie'. According to an official document on March 12, 2009 from the Department of Justice of United States, Madoff pleaded guilty to eleven felony counts related to a massive Ponzi scheme and faced a statutory maximum sentence of 150 years in prison.

Actually, what Mr. Madoff did was simple; He continually paid high returns to existing clients with the funds injected by new investors without engaging in any form of legitimate investment activity and this is what people call 'the Ponzi scheme', named after Charles Ponzi who did such kind of financial fraud in 1920's. However, it is easily understanding financial fraud that tricked investors billions of dollars, not just because of the golden reputation of Madoff and the greediness of investors for 'high return', but mainly because of the lack of regulation of the financial markets. Even Madoff said, he could have been caught in 2003, but the investigators of the Securities and Exchange Commission (SEC) overlooked the problems and missed the chance again and again. Besides, a federal prosecutor said the fraud could be dated back to at least the 1980s.

When the madoff case was revealed, large numbers of stakeholders were involved and its victims are now scattered from Hollywood to Zurich to Abu Dhabi. Mr. Madoff has said, the losses of his clients might be \$50 billion. Among the stakeholders, many of them are prominent and famous executives and organizations while many of them are hidden victims.

In the list of big losers, some of them are familiar organizations like Bank Santander (\$3.1 billion), Bank Medici (\$2.1 billion), HSBC (\$1 billion) and Korea Life Insurance (\$50 million) while others are not known by many people but still are quite big multinationals, for example, Tremount Group (\$3.3 billion), Ascot Partners (\$1.8 billion), the world's largest sovereign wealth fund Abu Dhabi Investment Authority (\$400 million) and the biggest loser in the whole case, Fairfield Greenwich Group (\$7.5 billion) which worked with Madoff's company for 20 years.

Other than firms and banks, some charities and universities were involved in the case. For instance, Elie Wiesel Foundation and Charities for Humanity (\$15.2 million) has been an investor since at least 1998 and nearly all of its assets were in Madoff's fund. Picower Foundation (\$958 million), the largest foundation that has announced its closure due to Madoff's fraud, had its founder Jeffry Picower (a noted philanthropist) found dead at the bottom of his own swimming pool in October, 2009. Universities like Yeshiva University and Tufts University lost \$120 million in total.

In terms of the amount of money, the losses of many other ordinary clients seem not as much as the big stakeholders listed above but these clients and victims actually suffered severe loss. For example, a retired soldier Mr. Fox, who invested nearly \$1 million in Madoff's fund, killed himself after realizing that all his life savings were gone. Many foundations of charities closed down due to the fraud and as a result, scientific projects, healthy care campaigns supported by those charities were forced to close. For example, Innocent Project, a justice organization using advanced DNA detecting technology to help those wrongly imprisoned people, could not do more because its backer JEHT Foundation lost all of its money in Madoff's Ponzi scheme.

While many people were still in the despair of the financial crisis, the revelation of the case of Madoff not long after the crisis, undoubtedly gave another shock to the world. Just like The Wall Street Journal (2009) said 'Mr. Madoff's decline and fall added to national crisis of confidence and distrust of financial system. And the human cost has also been severe, with some investors losing all their money and at least one committing suicide.' It is obviously that a financial fraud ran by a major figure (former NASDAQ chairman) from market regulation and administration boards would yield many ethical issues/debates and distrust of the financial system.

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

- (a) Discuss the Responsibilities of Corporate Governance towards the organization.

(5 marks)

- (b) Define conflict of interest and explain how the managers can overcome it in the organization.

(5 marks)

END OF EXAMINATION PAPER