CONFIDENTIAL

UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
MARCH 2025 SEMESTER

COURSE CODE	:	EAB 41403
COURSE NAME	:	INTEGRATED CASE STUDY
PROGRAMME NAME	:	BACHELOR IN ACCOUNTING (HONS)
DATE	:	26 JUNE 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 **TWO (2)** case studies.
4. Answer **ALL** questions.
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 EIGHT (8) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

(Total: 100 marks)
INSTRUCTION: Answer ALL questions.

CASE STUDY 1

Over the last few decades, concern has been high regarding the sustainability and conservation of the environment. Environmental pollution and globalization have become the concern of most environmental protection agencies. The harmful and mortal effects of nitrogen oxide, which is a pollutant found in car's exhaust have led to the Environmental Protection Agency (EPA) to tighten emission control considering the attention paid to conservation and saving the green. These concerns have made the EPA continuously announce restrictions for standard emission for all types of vehicles the sports care, heavy-duty trucks, automobiles and other types of cars. These stringent measures are necessary considering that nitrogen gas emitted is harmful to human health and results in diseases such as asthma, premature death, bronchitis, respiratory and cardiovascular.

The scandal clearly reflects corporate misbehaviour from the part of Volkswagen. The automakers manufacturing fuel-efficient diesel cars in the United States faced hardships due to these new stringent emission regulations. Volkswagen is among the automobile makers in the United States market that were new stringent regulations. However, in the year 2015, the Environmental Protection Agency (EPA) announced that the Volkswagen was a diesel dupe following its strategy to deceive the emission test. Volkswagen managed to deceive the test by showing less emission in its engines than what the engine emitted in the real sense. Therefore, this Volkswagen scandal case is aimed at analysing the extent to which this issue of diesel dupe has ruined the reputation of the Volkswagen.

In light of the discovery of the diesel dupe of Volkswagen in 2015, the mechanism's aim was to alter the detection of nitrogen oxide gas in Volkswagen diesel engines. The test of the emission of nitrogen oxide in the lab was thirty-five times more on the road hence endangering lives of the people. The leadership of Volkswagen decided to take a shortcut in the production of their internationally recognized brand. This rigging scandal has had a bad reputation on Volkswagen leading to a series of consequences to its direct and indirect stakeholders.

In the previous year before the rigging scandal, Volkswagen was among the leading automobile producer in the automobile industry second after Toyota Company. However, Volkswagen admission of guilt in the scandal had a series of effects on it and its operations and to the company. The scandal severely damaged the company's reputation in the automobile industry. Building a reputation in the business world takes time but destroying it is often fast, therefore, this has led to the Volkswagen Company bringing in three public relations company companies to help manage the crisis one from Germany, Britain and the United States. The implications of this deceit by Volkswagen, leaves the company in a bad condition considering that it has to deal with different regulations since the it is an international brand.

Good leadership has three pillars that support it which are commitment, character and competencies. Therefore, if any of these three values is not present then there is bound to be problems for the stakeholders, the manager and the entire organization. In any organization, the corporate social responsibility and sustainability have proven too challenging. This follows as managers are faced with the challenge of the trade-off between the long and short-term decisions. This trade-off often poses decisions between the survival of the business and their annual compensation, between long-term environmental factors and quarterly profits, between short-term and long-term goals. Business schools must learn a better way to teach students regarding these trade-offs and ways of handling them not ignore them. Resilience is key to financial sustainability. Therefore, business is capable of surviving natural disasters or financial crisis. Moreover, the manager's relationship with the employees, the environment and the community result in resilience. Therefore, it is important that businesses not work against the institutions that enable their long-term success. However, the antithesis of sustainability is what the Volkswagen Company showed in 2015 through diesel dupe. It does not make any sense for the managers of Volkswagen to create this shortcut and be comfortable thinking it would lead to long-term success. The deception played on the consumers and the regulators compromised the long-term needs and success of the company despite achieving the short-term needs.

The decision the managers made regarding trade-off between short and long-term was surely misguided. Volkswagen is a company surrounded by competent staff and the managers are well educated and have vast experience in the industry. Therefore, tabling an argument that there was a shortage of expertise would be wrong and misguided. The strong desire of the managers to succeed at whatever cost is what brought this predicament to the company. They did everything with a sense of urgency and approached the challenges faced by the company with passion and vigour. It was posited that during the time, the CEO's management style was ruthless that he created the fear atmosphere amongst employees, therefore when the tone at the top was to get it done, it must be done especially when Volkswagen was so frantic to enter the United States Market. From the decisions these managers made, it is a case of failure in leadership. Researches have concluded that drive, temperance, courage, humanity, collaboration, humility, integrity, accountability, justice, transcendence and judgment are all qualities of a good leader and must all work together since using over using one trait may result to liability. These traits are essential considering they enable a leader to think things through before making a decision. Moreover, the trait of justice helps in know the importance of giving back to the society that ensures the success of the business and not harming them like in the case of Volkswagen.

In case the scandal regarding the cheat device would not occur, sixty people would have died a premature death in the United States alone by the end of 2016 due to the addition pollution the Volkswagen cars produce. The 428,000 Volkswagen and Audi diesel cars manufactured produced more nitrogen oxide gas forty times more than the standard allowed by the Clean Air Act in the period between 2008 and 2015. Researchers have concluded that in every six years the cars Volkswagen and Audi produce an excess of about 36.7 million kg nitrogen oxide, which is very bad for the environment and the health of human beings considering diseases like cardiovascular diseases and other respiratory diseases are caused by this emission.

Moreover, the research also stated that sixty people between the age of 10-20 are endangered by these emissions. Additionally, the effects of these emissions would result in the United States spending about $450 million on people over six years in the period between 2008 and 2015. There would be 140 premature deaths in the event Volkswagen failed to recall vehicles manufactured from 2015 onwards. Moreover, the Volkswagen diesel cars would cost about $840 million in health cost. Finally, acid rains are caused as a result of nitrogen oxide production in the atmosphere which leads to the destruction of property, natural resources and badly affects the health of humans.

Bad reputation ruins businesses beyond recover. Just as expected, Volkswagen faced a severe decline in revenue since the diesel cheat scandal. The scandal resulted in customers switching to its competitors disabling the sales of Volkswagen vehicles. For the first time since the year 2002, Volkswagen sales plunged throughout the world due to bad reputation. Furthermore, the scandal affected every aspect of the Volkswagen brand considering even the share values slumped. The slump in share value started declining immediately the scandal was revealed resulting in one-third drop. The decline in revenue was expected considering no one wants to be associated with a company facing a scandal and no customers would buy products that cause health problems to them.

In light of the diesel scandal discovery, it is clear it was an act of pure conman ship. The company decided to make profits at the cost of its customers and the environment. This scandal clearly created a complicated situation for the stakeholders of the company. The actions of Volkswagen management were unethical to the business world leaving a bad name for the company. The management decided to pursue short-term needs forgetting the future prospects of the company. The scandal left the company in a series of cases including violation of the Clean Air Act and a series of international laws. The leadership of the company made a complete gamble with the stakeholder's trust and resources. The company had already established it itself worldwide hence such a scandal cost it a huge price considering it would take a long time for it to get back to its glory days. The leadership of an organization is vital as it plays a significant role within the organization and its decisions may make or break the organization, therefore, in this case, Volkswagen leadership made a grave mistake.

Required:

(a) Discuss **FIVE (5)** key issues of Volkswagen.

(10 marks)

(b) Analyze the internal and external factors influencing Volkswagen's business operations.

(10 marks)

(c) Apply Ishikawa analysis to identify **FIVE (5)** problem's root causes and explain each of those root causes.

(10 marks)

(d) Elaborate the fraud committed by Volkswagen based on fraud triangle theory perspectives.

(10 marks)

(e) Sustainability refers to the effect companies have on the environment or society which is vital to long-term success. Based on the Volkswagen's scandal case, discuss **FOUR (4)** suggestions on how the company can improve their sustainability practices.

(10 marks)

[50 marks]

CASE STUDY 2

Vanila & Blanc (VB) Cosmetics & Skincare is a newly established private company which was founded by Vanessa in 2021. The founder who is also the chairman of the company, aims to create a better world with natural and safer skincare products, cosmetics and perfumes. VB Cosmetics is a result of the founder's dream of creating a colourful line of natural skincare products and cosmetics – products with holistic skincare benefits that, while creating gorgeous looks, would also promote healthy skin.

The business objective of VB Cosmetics is to develop and market a holistic line of plant-based natural cosmetics and skincare products that is designed to give consumers an overall sense of personal well-being, health and beauty. The founder, Vanessa, makes sure the finest natural ingredients are used to ensure the greatest skincare benefits, while keeping true to the rich colour and glamour that customers seek.

Generally, cosmetics and skincare companies face many challenges when attempting to gain market share and trying to maintain a competitive advantage over their rivals. It can be difficult to know which strategies are worth pursuing based on a business's position in the industry and the competitive nature of the industry itself. A clearly defined strategy and the effective implementation of the strategy will determine VB's success in its goals. The cosmetics industry is a very competitive industry. However, the products of VB are different from its competitors, both in its premium quality and packaging.

Currently, the company focused on three product categories: skincare, cosmetics and perfumes. The perfume range is customized and therefore produced for a focused market. The skincare and cosmetic products on the other hand are produced for the wider market. VB natural-based products are different from the chemical-based products that are widely available in supermarkets and malls. VB products come in attractive premium-looking packaging and stand-out compared to other natural-based products.

The high quality ingredients used in VB products have led to high cost of production. There has been a lot of flux in ingredients pricing and it is often the organic ingredients that are affected (especially therapeutic grade essential oils). Weather has also affected crops, resulting in lower yields, and has thus raised the prices of the ingredients. Moreover, the products are mostly handcrafted, resulting in high labour costs. Although the final products cost is relatively high, the product quality adds value for customers. Nevertheless, the target market and product pricing strategy are of concern of the management.

As a newly established company, VB is faced with strong competition from highly established foreign cosmetics and skincare brands. However, recent trends show that customers are increasingly seeking natural skincare and cosmetic products for their well-being. VB views this as a potential growth area. Currently, VB products are distributed by beauty centres, health exhibition booth vendors and through online marketing. The CEO is concerned about the limited market scope. She feels that the firm has to explore a wider market for the company's products.

When setting prices, understanding the product costs and the market are the key factors to consider. If VB is priced too low, consumers will not value the product and may not believe what the label claims. It just feels wrong. Too high and VB will not move enough products. As you set your pricing, it is important to thoroughly understand how your competitors are pricing similar – or apparently similar – products. It is also important to know how the distribution channels are positioned. High-end boutique or family-friendly salons? Both of those outlets have a price-point profile and VB products pricing should be consistent with the pricing profile of the chosen distribution channels.

Given the high quality of VB products, the CEO is unsure whether to sell its products either at average industry prices to earn profits higher than that of its rivals, or below the average industry prices to gain market share. The CEO has read of various pricing strategies that are applicable. However, she is unsure of the most suitable pricing strategy that suits her products. The followings are the extracts from VB financial statements:

Income Statement for the year ended 31 March

	2023 RM	2022 RM
Revenue	150,000	100,000
Cost of sales	80,000	55,000
Gross profit	**70,000**	**45,000**
Less: Marketing expenses	(20,000)	(12,000)
Other operating expenses	(18,400)	(8,700)
Operating profit	**31,600**	**24,300**
Less: Finance costs	(1,000)	(2,000)
Profit before tax	30,600	22,300
Less: Tax expense	(7,650)	(5,575)
Profit for the year	**22,950**	**16,725**

Statement of Financial Position as at 31 March

	2023 RM	2022 RM
Non-current assets:		
Tools and equipment	40,270	35,950
Current assets:		
Inventory	2,400	2,100
Trade receivables	1,970	1,860
Cash	11,800	8,300
Current liabilities:		
Trade payables	1,870	1,780

Required:

(a) Discuss **FIVE (5)** key issues of Vanila & Blanc (VB) Cosmetics & Skincare.

(10 marks)

(b) Calculate and evaluate the financial position of VB using the information from the extracts of VB financial statements based on:

i. Profitability ratio

ii. Liquidity ratio

(9 marks)

(c) Advise on an appropriate pricing strategy for each product category.

(9 marks)

(d) Elaborate how a marketing mix strategy can help VB to develop a successful business.

(8 marks)

(e) Explain competitive advantage that VB can use to differentiate itself in a crowded market?

(6 marks)

(f) Explain **FOUR (4)** ways on how can VB expands its market reach beyond current distribution channels?

(8 marks)

[50 marks]

END OF EXAMINATION PAPER