



UNIVERSITI KUALA LUMPUR BUSINESS SCHOOL

FINAL EXAMINATION MARCH 2025 SEMESTER

COURSE CODE	: EAB31303
COURSE NAME	: CORPORATE ETHICS AND GOVERNANCE
PROGRAMME NAME	: BACHELOR IN ACCOUNTING (HONS)
DATE	: 1 JULY 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) Sections; Section A and Section B**. Section A consists of **THIRTY (30)** multiple-choice questions. Section B consists of **THREE (3)** case studies.
4. Answer **ALL** questions in **Section A and Section B**.
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 TWELVE (12) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

SECTION A (Total: 30 marks)**INSTRUCTION: Answer ALL questions.****Please use the objective answer sheet provided.**

1. The chairperson of the Board of Directors and CEO should be leaders with
 - A. Vision and problem-solving skills.
 - B. The ability to motivate.
 - C. Business acumen.
 - D. All of the above

2. The corporate governance structure of a company reflects the individual companies
 - A. Cultural and economic system.
 - B. Legal and business system.
 - C. Social and regulatory system.
 - D. All of the above

3. The first step in the auditing process should be to secure the commitment of:
 - A. employees.
 - B. top executives and directors.
 - C. stockholders.
 - D. customers.

4. The four types of social responsibility include
 - A. legal, philanthropic, economic, and ethical
 - B. ethical, moral, social, and economic
 - C. philanthropic, justice, economic, and ethical
 - D. legal, moral, ethical, and economic

5. The goal of corporate governance and business ethics
 - A. Teach students their professional accountability and to uphold their personal Integrity to society.
 - B. Change the way in which ethics is taught to students.
 - C. Create more ethics standards by which corporate professionals must operate.
 - D. Increase the workload for accounting students.

6. The hand-of-government refers to the
- A. ability of the government to interfere in business negotiations
 - B. role of corporations to be profitable within the law
 - C. effect of national politics on business decisions
 - D. impact of changing government regulation
7. The internal audit function is least effective when the department:
- A. Is non-independent.
 - B. Is competent.
 - C. Is objective.
 - D. Exhibits integrity
8. The primary stakeholder are:
- A. Customers.
 - B. Suppliers.
 - C. Shareholders.
 - D. Creditors.
9. The social economy partnership philosophy emphasizes
- A. cooperation and assistance.
 - B. profit maximization.
 - C. competition.
 - D. restricting resources and support
10. To be successful, business ethics training programs need to:
- A. focus on personal opinions of employees.
 - B. be limited to upper executives.
 - C. educate employees on formal ethical frameworks and models of ethical decision making.
 - D. promote the use of emotions in making tough ethical decisions.
11. Under the _____ both internal and external corporate governance mechanisms are intended to induce managerial actions that maximise profit and shareholder value.
- A. Shareholder theory.
 - B. Agency theory.

- C. Stakeholder theory.
 - D. Corporate governance theory
12. According to Stakeholder Theory, the primary responsibility of corporate management is to:
- A. Maximize profits for shareholders as the owners of the company.
 - B. Adhere strictly to all legal and regulatory requirements.
 - C. Balance the competing interests and needs of all stakeholders who can affect or are affected by the organization's activities.
 - D. Primarily focus on philanthropic activities to improve the company's public image.
13. Which of the following statements BEST reflects the Malaysian Code on Corporate Governance (MCCG)'s emphasis on women's involvement in senior Boards of Directors (BOD)?
- A. The MCCG recommends that listed companies should aim for gender diversity on their boards but does not specify a minimum target.
 - B. The MCCG strongly encourages, but does not mandate, the inclusion of women on senior BODs, leaving it to the discretion of individual companies.
 - C. The MCCG sets a clear expectation for all listed companies to have a minimum of 30% women representation on their Boards of Directors to enhance diversity and decision-making.
 - D. The MCCG focuses solely on the skills and experience of potential board members, with gender being a non-essential consideration.
14. Managerial ethics can be characterised by all of the following levels except:
- A. immoral management
 - B. amoral management
 - C. demoral management
 - D. moral management
15. A major pharmaceutical company has developed a new vaccine that is highly effective in preventing a deadly infectious disease that is rapidly spreading. However, due to limited production capacity in the short term, the company can only produce enough doses for a fraction of the population initially. There are two primary groups at high risk: elderly individuals with pre-existing health conditions and frontline healthcare

workers who are constantly exposed to the disease. The company's board is debating how to allocate the first batch of vaccines.

From a purely utilitarian perspective, which of the following allocation strategies would likely be considered the MOST ethical?

- A. Distributing the vaccine equally among all citizens, regardless of risk factors.
 - B. Prioritizing frontline healthcare workers, as protecting them ensures the healthcare system can continue to function and treat the largest number of patients.
 - C. Prioritizing the elderly population, as they are statistically more likely to die if infected.
 - D. Auctioning off the limited doses to the highest bidders to generate funds for future research and development.
16. Most companies begin the process of establishing organisational ethics program by developing:
- A. ethics training programs.
 - B. codes of conduct.
 - C. ethics enforcement mechanisms.
 - D. hidden agendas
17. Which of the following is the MOST reliable indicator of an effective ethics program within an organization?
- A. The presence of a comprehensive code of conduct document.
 - B. A significant decrease in reported unethical behavior and a culture where employees feel comfortable reporting concerns without fear of retaliation.
 - C. Regular ethics training sessions conducted for all employees.
 - D. The appointment of a dedicated ethics officer or compliance department.
18. Stakeholders are considered more important to an organisation when:
- A. they can make use of their power on the organization
 - B. they do not emphasize the urgency of their issues
 - C. their issues are not legitimate
 - D. they can express themselves articulately

19. Which of the following is NOT considered a primary objective of implementing a Corporate Social Responsibility (CSR) program within an organization?
- A. Enhancing the company's reputation and brand image among stakeholders.
 - B. Contributing to the well-being of the communities in which the company operates.
 - C. Solely focusing on maximizing short-term shareholder profits, regardless of social or environmental impact.
 - D. Minimizing the company's negative environmental footprint and promoting sustainable practices.
20. According to the Malaysian Code on Corporate Governance (MCCG), which of the following BEST describes a core responsibility of a company's board of directors?
- A. Managing the company's day-to-day operations and implementing operational strategies.
 - B. Setting the company's strategic direction, overseeing management's performance, and ensuring the integrity of the company's financial reporting and risk management systems.
 - C. Representing the company in legal proceedings and handling all shareholder communications.
 - D. Focusing primarily on maximizing short-term profits for shareholders, with limited regard for other stakeholders.
21. A leader is described as strongly embodying the 'moral person' pillar of ethical leadership. What would be the MOST likely characteristics they consistently demonstrate?
- A. The leader's ability to manage financial resources effectively
 - B. The leader's personal traits, character, and altruistic motivation
 - C. The leader's strategic decision-making skills
 - D. The leader's capacity to enforce rules and regulations
22. In what ways does ethical leadership contribute to the development of an ethical corporate culture?
- A. Primarily by establishing strict rules and regulations that all employees must follow.
 - B. Largely through effective marketing campaigns that promote the company's ethical image to the public.

- C. By setting a moral example through their own behavior, communicating ethical values clearly, and fostering a climate where ethical conduct is expected and rewarded.
 - D. Mainly by ensuring that the company's actions comply with all legal requirements, regardless of broader ethical considerations
23. In the context of ethical leadership, what does the 'moral manager' pillar specifically entail?
- A. It emphasizes the leader's personal ethical beliefs over organizational policies.
 - B. It focuses on the proactive efforts of the manager to influence employee behavior and establish ethical practices.
 - C. It is concerned with the financial performance of the organization.
 - D. It prioritizes compliance with external regulations over internal ethical standards.
24. What distinguishes an integrity-based code of ethics from a compliance-based code of ethics?
- A. Integrity-based codes focus on legal compliance, while compliance-based codes emphasize ethical values.
 - B. Integrity-based codes promote ethical values and decision-making, while compliance-based codes focus on adherence to rules and regulations.
 - C. Compliance-based codes are more flexible than integrity-based codes.
 - D. Integrity-based codes are only applicable in non-profit organizations.
25. Why is it important for leaders to set the "right tone from the top" in the context of ethical behavior within a company?
- A. It ensures that all employees follow the same procedures.
 - B. It establishes a culture where ethical behavior is prioritized and modeled by leaders.
 - C. It allows leaders to avoid accountability for unethical practices.
 - D. It focuses on maximizing profits over ethical considerations.
26. What does the normative perspective of Stakeholder Theory emphasize?
- A. The economic benefits of stakeholder engagement.
 - B. The moral obligations of firms to consider stakeholder interests in decision-making.

- C. The legal requirements for stakeholder communication.
 - D. The historical context of stakeholder relationships.
27. How does corporate social responsiveness differ from corporate social responsibility?
- A. Corporate social responsiveness focuses on identifying obligations, while corporate social responsibility emphasizes action.
 - B. Corporate social responsiveness is reactive, while corporate social responsibility is proactive.
 - C. Corporate social responsiveness emphasizes actions to meet societal needs, while corporate social responsibility focuses on fulfilling obligations.
 - D. There is no significant difference; both terms are interchangeable.
28. What is the primary justification for whistle-blowing?
- A. To seek personal gain or recognition
 - B. To prevent harm to others or the organization as a whole
 - C. To retaliate against a supervisor
 - D. To fulfill legal obligations only
29. How is 'conflict of interest' defined in the workplace according to the materials?
- A. When an employee prioritizes personal interests over job responsibilities
 - B. When an employee has a disagreement with a colleague
 - C. When an employee is offered a promotion
 - D. When an employee is involved in a legal dispute with the employer
30. What distinguishes internal whistle-blowing from external whistle-blowing?
- A. Internal whistle-blowing involves reporting to external authorities, while external whistle-blowing is within the organization.
 - B. Internal whistle-blowing is done anonymously, while external whistle-blowing is not.
 - C. Internal whistle-blowing is reporting misconduct to someone within the organization, while external whistle-blowing involves reporting to outside parties.
 - D. There is no difference; both terms refer to the same action.

SECTION B (Total: 70 marks)**INSTRUCTION: Answer ALL questions.****Please use the answer booklet provided.****Question 1:****CASE STUDY 1: Alarming Rise in Data Breaches in Malaysia**

Malaysia is facing a concerning surge in data breach incidents. The Personal Data Protection Department (PDPD) reports an average of 15 cases weekly, with 130 cases recorded up to June of the current year. This represents a fourfold increase compared to the 30 cases reported in the previous year, highlighting a significant escalation in the threat landscape. The primary cause of these breaches is ransomware attacks, where cybercriminals steal personal data and demand payment to prevent its exposure or sale.

Several factors contribute to this alarming trend. These include outdated and unpatched security systems, human error, weak passwords, and phishing attacks. Insider misuse and physical theft of data-carrying devices also play a role. The PDPD director-general, Professor Dr Mohd Nazri Kama, has noted the challenges in prosecuting companies involved in data breaches due to technical difficulties in gathering sufficient evidence.

The consequences of these data breaches can be severe, leading to financial loss, identity theft, and reputational damage for both individuals and organizations. The increasing frequency of these incidents underscores the urgent need for enhanced data protection measures and increased vigilance from both businesses and consumers.

To mitigate the risk of data abuse, the PDPD advises consumers to share their data only with companies holding a PDPD registration certificate. This certification indicates that the company complies with the Personal Data Protection Act 2010 (PDPA), providing a level of assurance regarding data protection practices.

The escalating data breach situation in Malaysia demands immediate and comprehensive action. Organizations must prioritize upgrading their security infrastructure, training employees on data protection best practices, and implementing robust security protocols. Consumers, on

the other hand, should exercise caution when sharing personal information and verify the data protection compliance of the organizations they interact with.

Sources: Edited from: Department of Personal Data Protection (PDP), Malaysia:
<https://www.pdp.gov.my/ppdpv1/en/main-page/?lang=en>

Based on the article:

- a. Discuss the ethical responsibilities of organizations in Malaysia regarding the protection of personal data, as highlighted by the increasing number of data breach incidents. What are the key ethical considerations businesses should prioritize to prevent data breaches and mitigate their impact?
(10 marks)
- b. Discuss the implications of this challenge on corporate accountability and the ethical obligation to protect consumer data.
(8 marks)
- c. Explain the ethical implications of the advice given by the PDPD to consumers to share data only with companies holding a PDPD registration certificate. Does this fully address the ethical responsibilities of businesses in ensuring data security?
(7 marks)

Question 2:

CASE STUDY 2: The Downfall of AIH Insurance - A Case of Corporate Governance Failure and Reckless Expansion

AIH insurance was the second largest general insurance in Austria prior to its collapse in 2001. Thousands of its policy holders ended up with worthless policies. Employees lost their jobs. The general public loss confidence in the insurance industry in Austria. What had happened to AIH insurance? The AIH royal commission report indicated that corporate governance failed in the company. The CEO was given free to control the company and he had lack of accountability in the board of directors. The investigation also revealed that money was wasted

on poor and extravagant business acquisitions. AIH re-entered the UK insurance market in 1996 and expanded its UK business in 1997.

AIH did not have any adequate market knowledge before making such decisions. The board of directors failed to put in place adequate safeguards to manage risk exposure in this strategy. It also acquired poorly performing SAI Insurance Ltd in 1998 for a whopping of Euro 300 million. AIH had to borrow to finance the acquisition. In September 2000, AIH had to write-off its investment in SAI Insurance Ltd.

AIH later admitted that it had overpaid for Sai's acquisition. The last poor investment decision that led to AIH's collapse was the establishment of a joint venture with Allianz Austria Ltd in 2000. AIH sold off its profitable business units to support this joint venture resulting in a negative cash flow soon after.

Sources: Edited from HIH Royal Commission final report Practical Law, May, 2003

- a. What do you understand by the term 'Corporate Governance?'
(2 marks)
- b. Explain the key corporate governance failures that contributed to the collapse of AIH Insurance, as highlighted in the Royal Commission report.
(6 marks)
- c. The problem for AIH Insurance Ltd. was that the CEO was given free rein to control the Company and had a lack of accountability in the board of directors. How does the separation of ownership and control lead to corporate governance problems?
(9 marks)
- d. Discuss how the AIH Insurance Ltd could have followed corporate governance and avoided the situation that led the collapse of the company.
(8 marks)

Question 3:**CASE STUDY 3: Case Study: GreenPalm Sdn Bhd and Sustainability Challenges in the Malaysian Palm Oil Industry**

The palm oil industry is a cornerstone of Malaysia's economy, significantly contributing to national exports. However, this economic importance is increasingly shadowed by concerns regarding its environmental impact. Issues such as deforestation, biodiversity loss, and greenhouse gas emissions have placed the industry under intense scrutiny. This necessitates a fundamental shift towards integrating economic, social, and environmental sustainability into business practices, not only for long-term viability but also for adhering to evolving corporate governance standards. The case of GreenPalm Sdn Bhd, a Malaysian palm oil producer with over two decades of operation, exemplifies these challenges and the industry's ongoing struggle to balance economic growth with environmental responsibility.

GreenPalm Sdn Bhd, like many in the Malaysian palm oil sector, faces mounting pressure from environmental groups and consumers to address its sustainability practices. The company's past operations have been linked to significant deforestation and habitat destruction, raising serious ethical concerns. Furthermore, the use of fertilizers and pesticides has contributed to soil degradation and water pollution, exacerbating the environmental issues. In response to this criticism, GreenPalm has initiated a series of "greening initiatives," including reforestation projects, the adoption of renewable energy sources, and pursuing certification under the Malaysian Sustainable Palm Oil (MSPO) standard. However, the effectiveness and transparency of these initiatives remain under scrutiny, highlighting a critical gap in accountability.

This situation reflects a broader trend in the Malaysian palm oil industry. While there is increasing awareness and adoption of sustainable practices, the implementation and monitoring of these initiatives vary significantly. The MSPO certification, while a step in the right direction, faces challenges in ensuring widespread compliance and genuine commitment from all industry players. The pressure from international markets, particularly the European Union with its stricter regulations on deforestation-free products, further complicates the landscape. Malaysian palm oil companies are now compelled to not only meet national standards but also adhere to global expectations regarding sustainability and ethical production.

GreenPalm's corporate governance also mirrors the evolving expectations of the industry. The company's board of directors has been criticized for lacking diversity and transparency in its decision-making processes. This raises concerns about the company's ability to effectively address the complex sustainability challenges it faces. GreenPalm is exploring various corporate governance theories, including stakeholder theory and agency theory, and considering a hybrid model that blends Anglo-American and Continental European approaches. This reflects a growing recognition within the Malaysian palm oil sector that robust corporate governance is essential for building trust with stakeholders, attracting investment, and ensuring long-term sustainability. The industry is moving towards a model where companies are held accountable not only to shareholders but also to a wider range of stakeholders, including local communities and the environment.

Sources: Edited from World Economic Forum, Jun 23, 2023
<https://www.weforum.org/stories/2023/06/decarbonizing-palm-oil-industry-net-zero/>

- a. Discuss the ethical implications of GreenPalm's current practices, and what steps should it take to align its operations with environmental ethics?
(5 marks)
- b. Identify the key environmental issues facing GreenPalm. How can the company address these issues while maintaining profitability?
(5 marks)
- c. Evaluate the effectiveness of GreenPalm's greening initiatives. What additional measures could the company implement to enhance its sustainability efforts?
(5 marks)
- d. Discuss the current issues in corporate governance at GreenPalm. How can the company improve its governance framework to meet stakeholder expectations?
(5 marks)

END OF QUESTION PAPER