

EGERTON



UNIVERSITY

UNIVERSITY EXAMINATIONS

NAIROBI CAMPUSTHIRD SEMESTER, 2014/2015. ACADEMIC YEAR

FOURTH YEAR EXAMINATION FOR THE DEGREE OF BACHELOR OF

COMMERCE

BCOM 403: BUSINESS ETHICS

STREAM: BCOM Y4S2

TIME: 2HRS

DAY: MONDAY, 2.30-4.30PM

DATE: 10 /8/ 2015

INSTRUCTIONS:

(i) Answer question one and any other two question

(ii) Do not write on the question paper

QUESTION ONE (COMPURSORY)

As part of a review of its internal control systems, the board of FF Co, a large textiles company, has sought your advice as a senior accountant in the company. FF's stated objective has always been to adopt the highest standards of internal control because it believes that by doing so it will not only provide shareholders with confidence in its governance but also enhance its overall reputation with all stakeholders. In recent years, however, FF's reputation for internal control has been damaged somewhat by a qualified audit statement last year (over issues of compliance with financial reporting standards) and an unfortunate internal incident the year prior to that. This incident concerned an employee, Miss Osula, expressing concern about the compliance of one of the company's products with an international standard on fire safety. She raised the issue with her immediate manager but he said, according to Miss Osula, that it wasn't his job to report her concerns to senior management. When she failed to obtain a response herself from senior management, she decided to report the lack of compliance to the press. This significantly embarrassed the company and led to a substantial deterioration in FF's reputation. The specifics of the above case concerned a fabric produced by FF Co, which, in order to comply with an international fire safety standard, was required to resist fire for ten minutes when in contact with a direct flame. According to Miss Osula, who was a member of the quality control staff, FF was

allowing material rated at only five minutes fire resistance to be sold labeled as ten minute rated. In her statement to the press, Miss Osula said that there was a culture of carelessness in FF and that this was only one example of the way the company approached issues such as international fire safety standards. Required:

- (a) Describe how the internal control systems at FF Co differ from a 'sound' system of internal control, such as that set out in the Turnbull guidance, for example. **(10 marks)**
- (b) Define 'reputation risk' and evaluate the potential effects of FF's poor reputation on its financial situation. **(10 marks)**
- (c) Explain, with reference to FF as appropriate, the ethical responsibilities of a professional accountant both as an employee and as a professional. **(10 marks)**

QUESTION TWO

- a) Write a short note on sexual harassment as a form of discrimination. **(10 Marks)**
- b) Outline the responsibilities of the firm to its employees and Government **(10 Marks)**

QUESTION THREE

Write short note on the following concepts:

- a. distributive justice
- b. capitalist justice
- c. socialist justice
- d. compensatory justice

(5 Marks)

QUESTION FOUR

Laws and regulations are promulgated especially in business to right the wrongs and unwholesome practices by businessmen. Discuss what laws and regulations that exist or are promulgated to achieve. **(10 Marks)**

QUESTION FIVE

- A)Do you think corporations should have a responsibility to society in general? Explain. **(10 Marks)**
- b)"Ethics has no place in business" Discuss. **(10 Marks)**

QUESTION SIX

- a) Define consumerism, environmentalism and legislation. Explain how these affect marketing strategies. **(10 Marks)**
- b) Discuss the guidelines you may consider when developing codes of ethics **(10 Marks)**
