MACHAKOS UNIVERSITY

University Examinations for 2018/2019 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BANKING, ACCOUNTING & FINANCE

THIRD YEAR FIRST SEMESTER EXAMINATION FOR

BACHELOR OF COMMERCE (FINANCE OPTION)

EAE 314: FINANCIAL ETHICS

DATE: 25/4/2019 **TIME: 8:30 – 10:30 AM**

INSTRUCTIONS: Attempt Question One and any other Two Questions

QUESTION ONE (COMPULSORY) (30 MARKS)

a) Briefly discuss five driving forces, using relevant examples, behind the interest in corporate governances. (10 marks)

b) i) Define the term social responsibility as an approach to financial ethics. (3 marks)

ii) Briefly explain Gray, Owen and Adams Seven positions on social responsibility. (7 marks)

c) Discuss the ethical issues affecting the banking industry in Kenya. (10 marks)

QUESTION TWO (20 MARKS)

a) Discuss ten benefits that the company is likely to derive from embracing corporate governance. (10 marks)

b) Explain five ethical threats in the code of professional ethics. (10 marks)

QUESTION THREE (20 MARKS)

Briefly explain the following terms in relation to financial ethics.

i) Window dressing (3 marks)

ii) Integrity (3 marks)

iii) Insider trading (3 marks)

iv) Fiduciary (3 marks)

v) Agent (3 marks)

vi) Creative accounting. (3 marks)

vii) Ethical safeguard. (2 marks)

QUESTION FOUR (20 MARKS)

a) Differentiate the following approaches to ethics

i) Relativism and absolutism approaches. (5 marks)

ii) Deontological and Teleological approaches (5 marks)

b) Differentiate between principles-based and rule-based approaches. (10 marks)

QUESTION FIVE (20 MARKS)

a) The Cadbury code of the best practice has led to successful reform of corporate governance in different countries. Explain the key requirement of the code and discuss how it may have contributed to the success of reforms. (10 marks)

b) Explain the term money laundering and discuss the various forms of money laundering. (10 marks)