MACHAKOS UNIVERSITY

University Examinations for 2017/2018 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BANKING, ACCOUNTING & FINANCE

THIRD YEAR SECIBD SEMESTER EXAMINATION FOR BACHELOR COMMERCE (FINANCE OPTION)

BAC 314: FINANCE ETHICS

DATE: 18/12/2017 **TIME: 2 HOURS**

INSTRUCTIONS:

Answer Question One and Any other Two Questions

QUESTION ONE (COMPULSORY) (30 MARKS)

(a) What is Financial Ethics? (5 marks)

(b) Explain the seven characteristics of good Governance. (7 marks)

(c) The Board of Directors assumes various responsibilities in order to maintain the Company's ethical and legal obligations. Identify and explain four of such responsibilities. (8 marks)

(d) (i) With relevant examples, explain the meaning of insider trading. (4 marks)

(ii) The Kenyan Capital markets Authority act Cap 485A prohibits some actions by insiders with regard to insider trading. Highlight and explain three of such actions. (6 marks)

QUESTION TWO (20 MARKS)

(a) Define Business Ethics (4 marks)

(b) List and explain the main ethical issues that arise in finance (8 marks)

(c) Explain how the management of financial Service firms raises ethical issues. (8 marks)

QUESTION THREE (20 MARKS)

(a) Explain the meaning of the following terms:

(i) Churning

(ii) Twisting

(iii) Flipping (6 marks)

(b) Explain the ethical arguments against insider trading (8 marks)

(c) Who is a rogue trader and how does rogue trading occur? (6 marks)

QUESTION FOUR (20 MARKS)

(a) Accounting and Finance are described as a profession. The ethical foundation of a profession is significantly delineated by and founded on ethical considerations rather than techniques or tools.
Highlight and explain five fundamental principles for members within the ethical code in the accounting and Finance Profession. (15 marks)

(b) Compliance with the above fundamental principles may potentially be threatened by a broad range of circumstances. Identify and briefly explain five possible threats. (5 marks)

QUESTION FIVE (20 MARKS)

(a) (i) Define Code of Ethics. (3 marks)

(ii) Enumerate the Ten Commandments of Ethical Business Behaviour. (5 marks)

(b) (i) Distinguish between law and Ethics (2 marks)

(ii) Describe any five benefits that accrue from managing ethics at the work place. (10 marks)