MACHAKOS UNIVERSITY

University Examinations for 2019/2020 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING BANKING AND FINANCE

THIRD YEAR SECOND SEMESTER EXAMINATION FOR

BACHELOR OF COMMERCE (FINANCE)

EAE 314: FINANCIAL ETHICS

DATE: **TIME:**

INSTRUCTIONS:

Answer question one and any other two questions.

QUESTION ONE (30 MARKS)

a) Discuss the influence of corporate governance on management performance of business enterprise in Kenya. (10 marks)

b) Enumerate five factors that have led to adoption of social corporate responsibility practices in companies operating in developing countries. (5 marks)

c) Argue the for and against internal management succession in corporations. (10 marks)

d) Highlight five benefits of share option as a remuneration technique for top management. (5 marks)

QUESTION TWO (20 MARKS)

a) Distinguish between corporate governance and financial ethics. (5 marks)

b) Evaluate the threats of independence and objectivity and highlight the remedies of each threat. (15 marks)

QUESTION THREE (20 MARKS)

a) Distinguish between churning, twisting and flipping. (6 marks)

b) Assess causes of rogue trading and how the authorities overcome the unethical behavior. (8 marks)

c) Highlight four roles of board chairman in corporations. (4 marks)

QUESTION FOUR (20 MARKS)

a) Differentiate between Deontological and Teleological approaches of ethics. (5 marks)

b) Justify the importance of fundamental principles on financial profession. (5 marks)

c) Examine the five strength absolutism 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) Evaluate the importance of code of standard to employees' performance. (10 marks)