

**FINAL EXAMINATION****BACHELOR OF ACCOUNTANCY (HONOURS)**

**COURSE : CORPORATE GOVERNANCE AND
BUSINESS ETHICS**

COURSE CODE : CGE4013

DURATION : 3 HOURS

INSTRUCTIONS TO CANDIDATES :

1. This question paper consists of **FOUR (4)** questions.
2. Answer **ALL** questions in the Answer Booklet provided.
3. Please check to make sure that this examination pack consists of:
 - i. the Question Paper
 - ii. an Answer Booklet
3. Do not bring any material into the examination hall.
4. Please write your answer using permanent ink.

**MYKAD/
PASSPORT NO. :** _____

ID. NO. : _____

LECTURER : _____

SECTION : _____

DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO

The question paper consists of 5 printed pages including the front page

QUESTION 1

Sulam Engineering Sdn Bhd is an established company supplying and installing embroidery machines. It also provides embroidery printing and maintenance services. After a decade of operation, the company has become larger in size, with its net assets worth RM10 million.

Puan Salmah and Mr Lim, who are best friends, are the directors of the company. They are also the shareholders of the company, in which Puan Salmah and Mr Lim hold 45% and 55% of the shareholding respectively. Recently, Mr Lim's daughter, Selena, graduated from the Sorbonne Université, France, with a master's degree in Business Governance. Hence, Puan Salmah and Mr Lim agreed to appoint Selena as the Managing Director.

As the Managing Director, Selena proposed that the company has a proper board structure to conform with the corporate governance. The board structure would follow the continental European two-tier governance model, where the representatives from June Bank will sit on the supervisory board. She rationalized her proposal that June Bank could monitor and supervise the company's cash flow, considering the company to convert to the quoted company soon. She also added that the company might enjoy benefits including appealing to the potential investors.

However, Malik, Puan Salmah's son, disagreed with her proposal. He is the Senior Operation Manager. He argued that there is no need for the company to have a supervisory board and convert the company to the quoted company. In his defence, the company is a family business that does not need extra capital as the company has surplus cash running its operation. Hence, having a two-tier board was not relevant to Sulam Engineering.

Consequently, they conducted a meeting with Puan Salmah and Mr Lim to resolve their arguments.

Required:

- a. Assuming you are Malik, present to Puan Salmah and Mr Lim, **FIVE (5)** reasons for not implementing the continental European two-tier governance model. (10 marks)
- b. If you are Selena, demonstrate **FIVE (5)** advantages of having a continental European two-tier model of governance. (10 marks)
- c. As Puan Salmah and Mr Lim:
 - i. Choose between Malik and Selena. (1 mark)
 - ii. Present your argument to your answer in (i). (4 marks)

(Total: 25 marks)

QUESTION 2

Below is an excerpt from the Genting Berhad Sustainability Report 2020.

KEY SUSTAINABILITY HIGHLIGHTS IN 2020

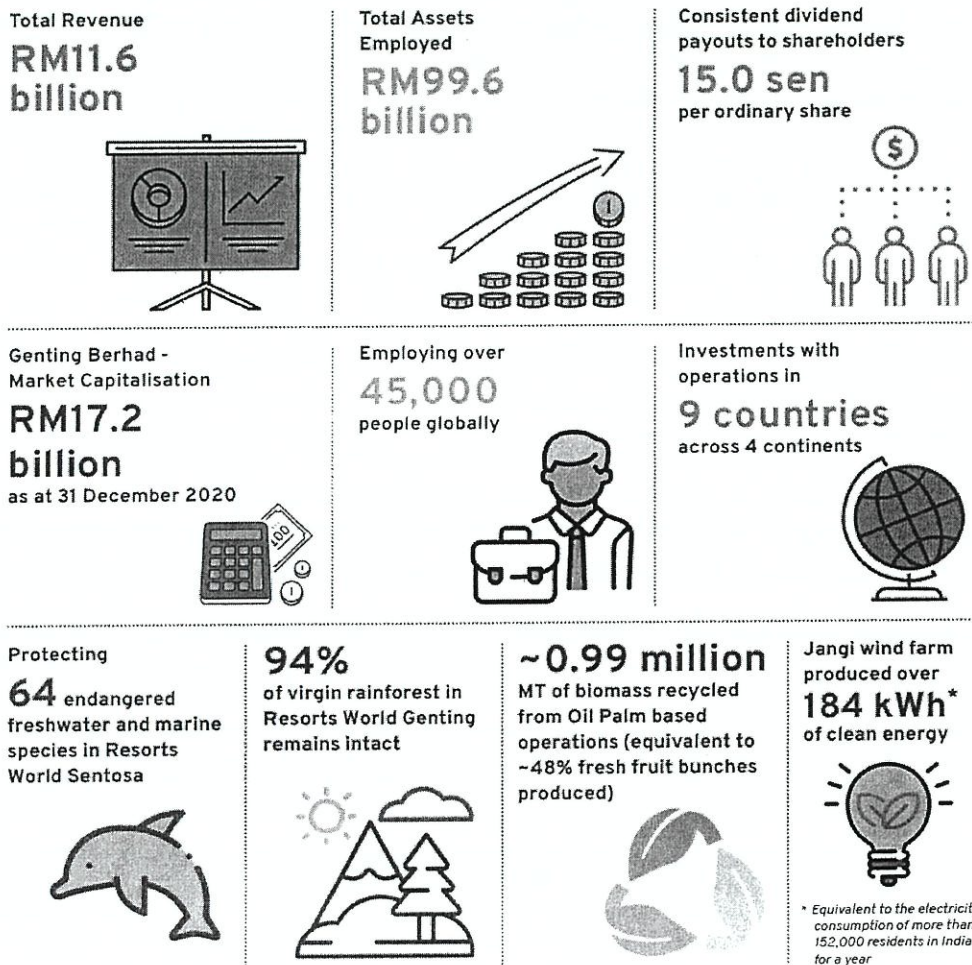


Figure 1: Genting Berhad Key Sustainability Highlights in 2020

(Source: Genting Berhad. Sustainability Report 2020)

Required:

- a. Demonstrate **FIVE (5)** benefits Genting may gain from its sustainability reporting. (10 marks)
- b. Illustrate levels of corporate social responsibility in a diagram. (12 marks)
- c. Based on your answer in (b):
 - i. Assess Genting level of corporate social responsibility according to Figure 1. (2 marks)
 - ii. Choose Genting level of corporate social responsibility. (1 mark)

(Total: 25 marks)

QUESTION 3

ABBOTT INFANT FORMULA

Abbott Laboratories' recall last spring of infant formula made in its Sturgis, Michigan, factory after reports of serious bacterial infections in four babies made headlines and led to a nationwide formula shortage that has persisted all year. A U.S. Food and Drug Administration inspection found serious safety problems at the plant, which was finally allowed to reopen in July under an agreement with the agency.

The company may face significant legal fallout in the coming year. Plaintiffs' lawyers say a mass tort litigation consolidated in August could eventually include hundreds of personal injury claims and some wrongful death claims related to Similac, Alimentum and EleCare branded formula allegedly tainted with *Cronobacter sakazakii* bacteria, which can cause serious illness including meningitis, though as of Dec. 15, there were only 38 pending cases.

The litigation also includes class action claims on behalf of consumers whose children did not get sick but who say they paid a premium for Abbott's formula that they would not have paid if they knew it could be contaminated.

Abbott in December moved to dismiss the claims on multiple grounds, arguing that the plaintiffs failed to support their claims that it acted negligently, and that motion remains pending. The company has said there is no evidence its formula ever made any babies sick.

(Source: Pierson, Brendan. (2022, December 31). *Product liability cases to watch in 2023*, Reuters)

Required:

- a. Argue whether Abbott can dismiss the claims according to the contractual theory.
(15 marks)
 - b. Hypothesize **FIVE (5)** actions that Abbott may take to resolve the above issue.
(10 marks)
- (Total: 25 marks)

QUESTION 4

Odd One Out: Confronting Corruption in the Workplace

Jenny recently completed her master's degree and was extremely excited to be hired for her dream job working for the local county government. During her first year, she began to notice that funds from grants were being mismanaged and misallocated. Some of her coworkers were also using county-owned materials, including cars, for personal business.

However, Jenny was most shocked by the hiring practices she witnessed at the office. Prospective applicants were supposed to take exams that were proctored by government employees. The results of these exams determined whether or not the applicants were hired and what they were hired for. Jenny began to notice that the proctors were allowing applicants to cheat on the tests because the applicants had already been chosen for the job. Many of these pre-chosen applicants were friends of current employees.

Jenny reported what she witnessed to Matt, the department's business manager, who was second-in-command to the department head. Matt told her, "You heard nothing, you saw nothing, you said nothing." Jenny was absolutely shocked; not only by the corruption, but that it was deliberately being swept under the rug.

Jenny felt trapped. She really needed the job to pay off loans from graduate school, and she loved the actual content of the work she was doing. She was also concerned that it would look bad to leave her first job out of school in less than a year, as well as tarnish future chances to work in government. On the other hand, she felt extremely uncomfortable in her work environment due to the culture of corruption.

(Source: Nelson, A. (2013, Jun 3). *Odd One Out: Confronting Corruption in the Workplace*, Markkula Center for Applied Ethics)

Required:

- a. Based on the Hohfeldian Analytical System, hypothesise the rights that:
 - i. Jenny has. (3 marks)
 - ii. Matt has. (3 marks)
- b. Explain **FOUR (4)** distinctions of justice. (16 marks)
- c. The company where Jenny works has a whistle-blowing policy. Rather than keeping it quiet, she decided to let the top management know about the situation as she believed that she would be protected under the policy. As for her, the malpractice of the hiring process needs to be stopped as it does not fair to other applicants.

Based on your answer in (b), generalise a justice that Jenny was fighting for. (3 marks)

(Total: 25 marks)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER

