

BBM 405



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COLLEGE

... Bastion of Knowledge ...

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**OFFICE OF THE DEPUTY PRINCIPAL
ACADEMICS, STUDENT AFFAIRS AND RESEARCH**

UNIVERSITY EXAMINATIONS

2020/2021 ACADEMIC YEAR

THIRD YEAR SECOND SEMESTER MAIN/REGULAR EXAMINATION

**FOR THE DEGREE OF BACHELOR OF BUSINESS
MANAGEMENT**

COURSE CODE: BBM 405

COURSE TITLE: PROFESSIONAL ACCOUNTING ETHICS

DATE: 21ST JULY, 2021

TIME: 8 AM – 11 A.M

INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF 3 PRINTED PAGES

PLEASE TURN OVER

**COURSE CODE: BBM 352 COURSE TITLE: PROFESSIONAL ACCOUNTING
ETHICS**

STREAM: BBM

DURATION: 3 Hours

INSTRUCTIONS TO CANDIDATES

- i. Answer Question ONE and any other TWO questions.*
- ii. Maps and diagrams should be used whenever they serve to illustrate the answer.*
- iii. Do not write on the question paper.*

QUESTION ONE

Read the case study and answer the questions accordingly.

The past 12 months have seen a series of corporate scandals across Europe that underlined the perils of poor corporate governance standards, from the downfall of Pierin Vincenz, the long-time CEO of Switzerland's Raiffeisen Bank, to the collapse of UK government outsourcing contractor Carillion. Among many issues, fraud is motivated by certain factors that the management of the company needs to be aware of. Around the world, jurisdictions that in the past paid less attention to governance issues, including Singapore and Hong Kong, have tightened the rules applicable to listed companies, pushing for a greater role for adherence of ethical principles, independent directors and restrictions on the number of board mandates individuals can hold. Not all the changes underway or under consideration involve increased transparency. Accountants of US businesses are starting to rebel against quarterly reporting requirements, which they say lock in a short-term mindset. This rebel result to ethical issues in accounting. While corporate governance is an increasing preoccupation for policy-makers and regulators, their initiatives may take longer than expected to deliver concrete results. Evidence suggests that even mandatory quotas to encourage greater director diversity have yet to produce any significant shift in boardroom gender balance. In addition, there is need for adaptation of whistle blowing policy.

- (a) As a professional accountant, give your advice regarding the following issues mentioned in the case study;
 - (i) Ethical principles (6 marks)
 - (ii) Ethical issues in accounting (8 marks)
- (b) Apply the fraud triangle to elaborate on the factors that causes someone to commit fraud and hence the sky rocketing Europe's corporate scandals in the past 12 months (6 marks)

- (c) There are challenges implying whistleblowing recommended to be adapted in the case study. Discuss. (10 marks)

QUESTION TWO

Creative accounting is prima facie a form of lying which generally involves the preparation of financial statements with the intention of misleading readers of those statements. Using the Kenyan context, explain;

- a) The common ways of promoting creative accounting (8 marks)
b) The prevention measures since creative accounting is resulting in numerous accounting scandals with huge consequences (12 marks)

QUESTION THREE

In the business world today, ethics are an increasingly important element and point of discussion. So, leadership with ethics is very important to understand, to develop, and to recognize in the business world. As an extension of this statement, prioritize the following;

- (a) Traits mandatory for ethical leaders (10 marks)
(b) Positive impact arising from ethical leadership (10 marks)

QUESTION FOUR

Explain the following professional judgement traps facing accountants in most organizations highlight ways to overcome each

- (a) The fear of upsetting the balance (10 marks)
(b) Being held hostage to the past (10 marks)

QUESTION FIVE

PLUS model is based on a seven-step process and that "PLUS" is an acronym that facilitate the analysis of ethics considerations and implications of the decision at hand. Discuss. (20 marks)