



MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATIONS
2023/2024 ACADEMIC YEAR
FOURTH YEAR FIRST SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS
BACHELOR OF BUSINESS ADMINISTRATION**

**COURSE CODE: ECF 4103 – 1
COURSE TITLE: BUSINESS ETHICS &
CORPORATE
GOVERNANCE**

DATE: 14/12/2023

TIME: 1430-1630 HRS

INSTRUCTIONS TO CANDIDATES:

Instruction: Answer Question ONE and any other TWO Questions

Question 1

read the case study below and answer the following questions

In 2008, a great number of babies in China, having consumed the milk powder produced by Sanlu Group, were discovered to have suffered from kidney stones. Later, its milk was found to contain melanin, an industrial chemical, which can result in a heightened protein content value in tests and yield greater profit for milk farmers. Adding melanin to the milk may boost its market value, yet long-term ingestion of melanin would create problems for the urinary system, resulting in kidney stones and even cancer. According to statistics, up until 21 January 2009 nearly 50,000 infants sought medical consultation and was treated and recovered as a result of having ingested the problematic milk powder; 6 died as a result. There were also confirmed cases in Hong Kong and Macau. After the General Administration of Quality Supervision announced the examination report regarding the presence of melanin in the baby powder produced by numerous major manufacturers, the scope of incident was revealed – the presence of melanin was discovered in the milk powder of many major manufactures in China. The event also had a disastrous impact on the reputation of China-made goods, with many countries banning the import of China-made milk products.

Later, it was revealed that in as early as 2007 there have been customer complaints about the quality of Sanlu's milk powder. The company only covered up the incidents and it was not until August 2008 when cases began to mushroom all over the country that Sanlu reported to the Shijiazhuang Municipal Government and the Xinhua District Government and announced the public about the presence of melanin in the milk powder. A recall was subsequently conducted but there was already a surge in occurrence of kidney-stones in infants. Many infants suffered kidney problems, and some did not survive; later the government announced that they would treat infants freely.

The Shijishuang Municipal Government later arrested near 20 individuals working separately at the ranches, milk cows rearing communities, operators of milk halls, and illegal sellers of the chemical. The Provincial Government ordered Sanlu to cease production. The company was declared bankrupt and the persons responsible were punished. Adapted from: ***Business and Economics Ethics: Management Case Studies and Answers, 2008.***

a) Explain the following terms:

- i. Ethics

(1 Marks)

ii. Corporate governance (1 Marks)

iii. Ethical Dilemma (1 Marks)

b) Using the theory of stakeholders to comment on the Government's severe punishment of the senior management of Sanlu and the involved milk farmers, and liquidation of the company (7 Marks)

c) Basing your answer on the case study evaluate ethical issues that managers must deal with in Functional areas of the organization *such as Accounting and Finance or Economic Planning?* (5 Marks)

d) Describe how the ethical issues in the Sanlu case reflect the Kenyan business situation. (5 Marks)

Question 2.

a) Describe the issues related to infringement of consumer rights using a company of choice in Kenya. (8 Marks)

b) Compare Deontology with Utilitarianism. (7 Marks)

Question 3.

a) Explain the common immoral issues in business ethics that managers and employees deal with in organizations. (7 Marks)

b) Describe the benefits of corporate governance. (8 Marks)

Question 4.

a) Codes of ethics set a high standard of behavior within an organization but has limitations: discuss (7 Marks)

b) Corruption is deeply engrained in all sectors: government and non-governmental agencies and walks of Kenya, as a student of ethics explain the measures to overcome fraud and corruption. (8 Marks)

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