



**RIARA SCHOOL OF BUSINESS**  
***NURTURING INNOVATORS***  
**JANUARY –APRIL 2024 TRIMESTER**  
**EXAMINATION FOR BACHELOR OF BUSINESS ADMINISTRATION**  
**DAY PROGRAMME**  
**RBA 401: BUSINESS ETHICS**

**DATE: 11<sup>TH</sup> APRIL 2024**

**TIME: 2 HOURS**

**GENERAL INSTRUCTIONS:**

- i. Students are **NOT** permitted to write on the examination paper during reading time.
- ii. This is a closed book examination. Text book/Reference books/notes are not permitted.

**SPECIAL INSTRUCTIONS**

1. Write your REGISTRATION NO. Clearly on the answer booklet(s).
2. Answer Question One and ANY other TWO questions.
3. Questions in all sections should be answered in answer booklet(s)
4. PLEASE start the answer to EACH question on a NEW PAGE.
5. For the questions, write the number of the question on the answer booklet(s) in the order you answered.
6. Write on both sides of each leaf and indicate number of each question at the top of each page.
7. Write the answers in a paragraph form unless stated otherwise.
8. Marks allocated to each question are shown at the end of the question.
9. All rough work must be done on the answer booklet and crossed through!
10. Use supplementary pages only when you have exhausted those in this book.
11. Fasten the supplementary pages to the inside back cover of this booklet

**SECTION A.: ANSWER ALL QUESTIONS IN THIS SECTION (30 MARKS)**

**QUESTION ONE (30 MARKS)**

In July 1996, Sunbeam hired Albert Dunlap (known as “Chainsaw Al”) as chairman and CEO to try to save the company and increase declining stock values and profits. Dunlap is known for making extreme cuts in all areas of operations, including massive layoffs, to streamline business. The concepts of teamwork and group dynamics are unknown to Dunlap. He even authored a book, *Mean Business* that states that making money for shareholders is the most important goal of any business. Increasing shareholder wealth, at any cost, is his objective. Clearly, his philosophy is deficient in regard to ethical responsibility.

The day Dunlap was hired, Sunbeam’s stock jumped 49 percent. True to his reputation, “Chainsaw Al” fired thousands of employees, shut down factories and warehouses, and streamlined the company by eliminating products and selling businesses unrelated to its core products. He even attained his objective and made money for shareholders. However, the wealth did not last. In April 1998, Sunbeam announced a first-quarter loss, and stock prices fell by 25 percent.

Dunlap realized his reputation and “Rambo”-style cuts were not going to maintain the high stock prices or profits at Sunbeam. His solution was to shift sales from future quarters to the current one by using a “bill and hold” strategy, which involves selling products to retailers for large discounts and holding them in third-party warehouses to be delivered at a later date. By booking sales months prior to the actual shipment or billing, Sunbeam was able to report higher revenues in the form of accounts receivable. The strategy helped Dunlap boost Sunbeam’s revenues by 18 percent in 1997.

Although what Dunlap had done was not illegal, shareholders filed lawsuits alleging that the company made misleading statements about its finances and deceived them so that they would purchase Sunbeam’s artificially inflated stock. In 1998, after record losses Dunlap was sacked

## QUESTION ONE

- a) *Something legal does not have to be ethical...* Giving **TWO** examples explain this statement in light of the decisions that Dunlap made to the Sunbeam company  
**(4 marks)**
- b) Discuss the primary Ethical theory predominantly employed by Dunlap **(4 marks)**
- c) After a top management reorganization, Susan was appointed as the Human Resource Manager at Sunbeam. Examine **FIVE** areas of HRM ethics is she expected to address  
**(10 marks)**
- d) Enumerate **SIX** instances of conflict of interest situations that may arise in such a business  
**(12 marks)**

## QUESTION TWO

- a) Explore the disadvantages of maintaining a trade secret for an emerging business in Kenya.  
**(10 marks)**
- b) Outline **FIVE** ethical dilemmas encountered by production managers while fulfilling their responsibilities at the production plant."  
**(10 marks)**

## QUESTION THREE

- a) Exemplify **FIVE** ethical considerations impacting occupational health and safety when making ethical decisions in business."  
**(10 marks)**
- b) Discuss **FIVE** ethical concerns arising from the proliferation of Artificial Intelligence, particularly in the context of mobile lending in Kenya."  
**(10 marks)**

## QUESTION FOUR

- a) Provide examples and evaluate five ethical dilemmas that are propagated by advertising in product marketing  
**(10 marks)**

- b) Explain **FIVE** moral and ethical dilemmas confronting businesses engaged in global operations **(10 marks)**