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MAIN EXAMINATION

AUGUST - DECEMBER 2016 TRIMESTER

FACULTY OF COMMERCE

MBA ODEL PROGRAMME

CMM 511: MANAGERIAL ETHICS

Date: DECEMBER 2016	Duration: 3 Hours
INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions	

Q1. **Ethical considerations**

You were appointed Financial Controller of a firm of builders' merchants almost a year ago, with the prospect of becoming Finance Director if you performed well.

The customer

An old-established customer, a contractor, X Ltd, which has expanded to take on a very large contract, is causing problems with delayed payments. X Ltd is a family firm, largely owned by its Managing Director, Y. Following a discussion at a management meeting, the Sales Director and a member of your staff visited the customer with instructions to “try and resolve the matter of delayed payments”.

The meeting

At the meeting, the Sales Director took the lead, having known Y for many years. Y provided the last annual accounts and the latest management accounts and contract accounts. This one large contract that X Ltd had undertaken represents some 70% of its current activity. If all, or almost all, suppliers allow additional credit for material, and X Ltd uses its very limited remaining bank facilities to pay the workforce, Y thinks the company should be able to complete the next stage of the contract, get the architect to certify the work has been completed, and obtain a progress payment. This would enable X Ltd to pay suppliers, get more materials, and finish the contract. However, Y considers the company will make a

significant loss on the contract and will only be able to trade on a much reduced scale thereafter.
The Sales Director suggested, and Y agreed, an arrangement by which Y would make a payment from personal funds, against which your company would release materials to X Ltd. When it receives the progress payment X Ltd will pay your company from its company's funds and reduce the amount owing to well within normal terms. Your company will then repay Y the personal funds he has paid. It was agreed that this arrangement should be discussed and agreed with your Managing Director in the morning.

After the meeting

On his return, the Sales Director commented that this sort of arrangement was probably the only way of getting any money back - if X Ltd went into liquidation nothing would be recovered.

Later you received a telephone message that Z, the Finance Director of another firm of builders' merchants and whom you know through local CIMA branch meetings, has asked you to telephone urgently regarding the credit status of X Ltd.

Required

Write a report to your Managing Director, evaluating the ethical considerations and recommending the action to be taken on the account and on the telephone message. **(20 marks)**

Q2. i) In what ways does the moral minimum model advance the classical model of corporate social responsibility? **(10 marks)**

ii) What are the ethical foundations of the stakeholder model of corporate social responsibility? How does the stakeholder model differ from Milton Friedman model? **(10 marks)**

Q3. i) Explain what you take to be the strongest argument in defense of an employee’s right to participate in managerial decision making. **(10 marks)**

ii) What conditions does DeGeorge suggest are necessary to make whistle blowing ethically permissible? **(10 marks)**

Q4. Distinguish between utilitarian, deontological, and virtue-based approaches to ethics. What are the strengths and weaknesses of each? **(20 marks)**

END