

UNIVERSITI SAINS MALAYSIA

First Semester Examination
Academic Session 1993/94

October-November 1993

AOU651 - MANAGERIAL ETHICS

TIME : [3 HOURS]

INSTRUCTIONS

Please make sure that this examination paper consist of FOUR printed pages before you begin.

YOU ARE NOT ALLOWED TO TAKE THIS QUESTION PAPER OUT FROM THE EXAMINATION HALL.

Answer question 1 and THREE other questions.

Q.1: Compulsory.

THE BURNING ISSUE

Creative Cotton Sdn Bhd is a leading manufacturer and marketer of household linen. Their bedsheets, towels, curtains, and tablecloth were popular and well known for their attractive prints, design and wide availability. The company had recorded good profits and the shareholders were happy about the returns.

The company employed a new Production Director, En. Saifullah to upgrade the machinery, manage the expansion and also introduce quality control as step towards exports. Mr. Saifullah had experience of working overseas and was highly respected for his work. The first day in Creative Cottons was devastating for him. The day ended with a serious argument with the Sales Director, En. Lee Kim Sai about the products of the company.

The discussion was briefly as follows...

Mr. Saifullah:

The product made by this company are not fit for our consumers. The rayon content is high. It has the possibility of creating skin rashes, too hot for our Malaysian weather and most important of all it is fire prone.

...2/-

The rayon content which should be about 8% is nearly 49% and due to this even a small flicker from a cigarette can cause the bedsheet to catch a fire. Moreover rayon in the bedsheet reduces its life to six months from eighteen if it is pure cotton. If I were to continue in this company this will change from today. If the company sends me away I will have to complain to the Consumers association. I want an IMMEDIATE stop to this nonsense.

Mr. Lee Kim Sai:

Thank you for being a conscious man, but things like that don't happen in this company. Our products are popular, low priced and we are satisfying our shareholders with a fat 45% returns. If we give our customers pure cotton sheets they cannot afford the price and our competitors will have a field day. In the end cotton bedsheets means we will be without jobs. Mr. Saifullah, it is your first day in this company and therefore relax. Our customers are still buying our products and nobody has had a burn due to it. In fact the customers are getting the product they deserve.

QUESTIONS:

- a. What do you think is the ethical issue in Creative Cotton which is related to marketing of its products? Why?
- b. Whom will you support in this case, and give your arguments in not less than 150 words?

(25 points)

Answer THREE of the following:

2. Critically evaluate the application of utilitarianism and Kantian ethics in business.
3. "The Commitment of the profession of accounting and auditing in rendering and achieving high quality professional services is demonstrated by the breadth and effectiveness of its multilevel regulatory framework". Do you agree? Why?
4. Critically evaluate the various methods of unethical tax practices.

(25 points)

(25 points)

(25 points)

...3/-

5. (a) Is ethical behaviour and social responsibility restricted to just the domestic situation or also to international situation? Explain.
- (b) Which unethical behaviour and social responsibility questions have received media attention in Malaysia in recent years? Discuss some of them.
- (25 points)

6. "The level of Managerial Ethics in any organisation is dependent on the voluntary adherence rather than forced obedience of the rule". Discuss.

If you think ethics should be enforced, who should be responsible for the institution? If it is voluntary adherence what should be the role of the consumers?

(25 points)

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