



CIFA FOUNDATION LEVEL

PROFESSIONAL ETHICS AND GOVERNANCE

MONDAY: 4 December 2023. Afternoon Paper.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

QUESTION ONE

- (a) Outline **FOUR** standards of professional conduct. (4 marks)
- (b) In relation to accountability, risk management and internal control, enumerate **FOUR** strategies used in Enterprise Risk Management (ERM). (4 marks)
- (c) In relation to professional ethics, describe **THREE** challenges associated with ethical dilemma. (6 marks)
- (d) In relation to professional values and governance in organisations, discuss **TWO** benefits of each of the following:
 - (i) Transparency. (2 marks)
 - (ii) Ethical leadership. (2 marks)
 - (iii) Independent audits. (2 marks)

(Total: 20 marks)

QUESTION TWO

- (a) Summarise **FOUR** reasons why trust is important in the investment community. (4 marks)
- (b) In relation to the theory of corporate governance, outline **FOUR** agency dilemmas. (4 marks)
- (c) Describe **THREE** features of the King IV Report on Corporate Governance. (6 marks)
- (d) Examine **THREE** driving forces of the development of code of corporate governance in your country. (6 marks)

(Total: 20 marks)

QUESTION THREE

- (a) In relation to Global Investment Performance Standards (GIPS):
 - (i) Identify **THREE** ways in which Global Investment Performance Standards (GIPS) are implemented. (3 marks)
 - (ii) Highlight **FIVE** objectives of Global Investment Performance Standards (GIPS). (5 marks)
- (b) In relation to the fraud triangle theory, explain **THREE** components of fraud triangle. (6 marks)
- (c) Describe **THREE** qualities of an ethical leader. (6 marks)

(Total: 20 marks)

QUESTION FOUR

- (a) One of the functions of the Institute of Certified Investment and Financial Analysts is to promote standards of professional competence and ethical practice amongst members of the Institute.

Required:

In relation to the above statement, outline **FOUR** actions by the Institute that confirm that it has implemented this function. (4 marks)

- (b) Enumerate **FOUR** advantages of agency theory in corporate governance. (4 marks)
- (c) Analyse **THREE** roles of institutional investors in corporate governance. (6 marks)
- (d) Discuss **THREE** components of emotional intelligence. (6 marks)

(Total: 20 marks)

QUESTION FIVE

- (a) In relation to stakeholders' management, identify **FOUR** rights of consumers. (4 marks)
- (b) Highlight **FOUR** inter-relationships between social media and professional ethics. (4 marks)
- (c) The Mendelow Matrix, also known as the Mendelow's Power-Interest Grid, is a strategic tool used in business and management to analyse and categorise stakeholders based on their level of power and interest in a particular project, decision or organisation.

In relation to the above statement, explain **THREE** quadrants of a Mendelow Matrix. (6 marks)

- (d) Business ethics and corporate governance are closely related concepts, and they both play essential roles in ensuring responsible and ethical conduct of businesses and organisations.

In relation to the above statement, describe **THREE** interrelationships between business ethics and corporate governance. (6 marks)

(Total: 20 marks)

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CIFA FOUNDATION LEVEL

PROFESSIONAL ETHICS AND GOVERNANCE

MONDAY: 21 August 2023. Afternoon Paper.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

QUESTION ONE

- (a) Describe the following consequentialist theories:
- (i) Utilitarian approach. (2 marks)
 - (ii) Egoistic approach. (2 marks)
 - (iii) Common good approach. (2 marks)
- (b) Explain **FOUR** roles of emotional intelligence in relation to effective leadership. (8 marks)
- (c) Discuss **THREE** theories of corporate governance. (6 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Enumerate **FIVE** components of internal control in an organisation. (5 marks)
- (b) Outline **THREE** benefits that an organisation could derive from adopting professional code of ethics. (3 marks)
- (c) Giving relevant examples, explain the following concepts:
- (i) Ethical absolutism. (2 marks)
 - (ii) Ethical relativism. (2 marks)
- (d) Describe **FOUR** provisions of the Global Investment Performance Standards (GIPSs). (8 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Explain the term “impermissible” as used in ethical judgements. (2 marks)
- (b) Discuss **TWO** sections of code of governance in your country. (4 marks)
- (c) The Capital Markets Authority in exercise of the powers conferred by sections 11(3)(v) and 12A of the Capital Markets Act 1989, issued a stewardship code for institutional Investors 2017 for application by institutional investors in the Capital Markets.
- In light of the above statement, highlight **SIX** objectives of the stewardship code. (6 marks)
- (d) Examine **FOUR** ways in which professionals in the investment industry establish trust with the general public. (8 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Analyse **TWO** differences between law and ethics. (4 marks)
- (b) Describe **THREE** objectives of the code of ethics to a professional body. (6 marks)
- (c) Examine **TWO** characteristics of good corporate governance. (4 marks)
- (d) Explain **THREE** roles of Mendelow Matrix in stakeholders dispute resolution. (6 marks)

(Total: 20 marks)

QUESTION FIVE

- (a) Discuss **TWO** ways of managing ethical risk in an organisation. (4 marks)
- (b) In relation to case studies in professional values and governance:
 - (i) Examine **TWO** ethical concepts that could be applied when analysing case studies. (4 marks)
 - (ii) Explain **TWO** roles of case studies. (4 marks)
- (c) Highlight **FOUR** ways of mitigating conflict of interest in an organisation. (4 marks)
- (d) Outline **FOUR** reasons why business empires face corporate governance issues in the 21st Century. (4 marks)

(Total: 20 marks)

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CIFA FOUNDATION LEVEL

PROFESSIONAL ETHICS AND GOVERNANCE

MONDAY: 24 April 2023. Afternoon Paper.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

QUESTION ONE

- (a) Outline **FIVE** differences between “code of conduct” and “code of ethics”. (5 marks)
- (b)
 - (i) Define the term “conscience” as applied to professional ethics. (2 marks)
 - (ii) Summarise **FIVE** types of personal conscience. (5 marks)
- (c) Explain **FOUR** criticisms levelled against Kohlberg’s theory of moral development. (8 marks)

(Total: 20 marks)

QUESTION TWO

- (a) In the context of KING IV report on corporate governance, examine **FOUR** principles that an investment firm is expected to comply with. (4 marks)
- (b) Summarise **FOUR** recommendations of Hampel committee on corporate governance. (4 marks)
- (c) Explain **THREE** factors influencing business ethics. (6 marks)
- (d) Enumerate the **SIX** standards of professional conduct. (6 marks)

(Total: 20 marks)

QUESTION THREE

- (a) Summarise **FOUR** features of investment performance standards. (4 marks)
- (b) Explain **THREE** merits of investment performance standards. (6 marks)
- (c) Outline **FOUR** benefits of good corporate governance. (4 marks)
- (d) Highlight **SIX** pillars for listed companies’ codes of governance issued by Capital Markets Authority (CMA). (6 marks)

(Total: 20 marks)

QUESTION FOUR

- (a) Explain **THREE** levels of emotional intelligence. (6 marks)
- (b) Describe **THREE** skills of emotional intelligence. (6 marks)
- (c) Resource Dependency Theory of corporate governance has been subject of debate on its effectiveness.

In light of the above statement, discuss **FOUR** criticisms of Resource Dependency Theory. (8 marks)

(Total: 20 marks)

QUESTION FIVE

- (a) Outline **FOUR** components of an internal audit charter. (4 marks)
- (b) Examine **FOUR** reasons why minority shareholders in Kenya find it difficult to protect themselves against excesses of majority shareholders. (4 marks)
- (c) In relation to the fraud triangle, explain **THREE** elements that present most fraudulent activities in an organisation. (6 marks)
- (d) In relation to stakeholders' engagement, discuss **THREE** ways of grouping stakeholders according to interests and influence. (6 marks)

(Total: 20 marks)

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CIFA FOUNDATION LEVEL

PROFESSIONAL ETHICS AND GOVERNANCE

MONDAY: 5 December 2022. Afternoon Paper.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

QUESTION ONE

- (a) Highlight **FOUR** ways of building a culture of integrity in an organisation. (4 marks)
- (b) In relation to ethical decisions in the securities exchange market, explain the following terms:
 - (i) Pump and dump. (2 marks)
 - (ii) Bucketing. (2 marks)
- (c) Explain the following terms as used in ethical judgements:
 - (i) Obligatory. (2 marks)
 - (ii) Permissible. (2 marks)
 - (iii) Supererogatory. (2 marks)
- (d) Discuss **THREE** signs of high emotional intelligence. (6 marks)

(Total: 20 marks)

QUESTION TWO

- (a) Outline the **FOUR** steps process identified by Allan Meder as a framework for ethical decision making. (4 marks)
- (b) Highlight **FOUR** roles of the board in promoting ethical conduct in an organisation. (4 marks)
- (c) In relation to stakeholders management:
 - (i) Examine **THREE** types of stakeholder groups. (6 marks)
 - (ii) Explain **THREE** roles of stakeholders in relation to stakeholder obligation. (6 marks)

(Total: 20 marks)

QUESTION THREE

- (a) The Institute of Investment and Financial Analysts (ICIFA) has developed a Code of Conduct for its members. The essence of this Code of Conduct and Ethics is to promote ethics and professionalism in the investment profession.

In light of the above statement, examine **THREE** compliance standards expected from ICIFA members. (6 marks)

- (b) Describe **THREE** characteristics of ethical leaders. (6 marks)

(c) In reference to business ethics:

- (i) Outline **TWO** benefits of maintaining business ethics in an organisation. (2 marks)
 - (ii) Describe **THREE** ways in which firms can demonstrate ethics and integrity in their operations. (6 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Outline **FOUR** components of an integrated report. (4 marks)
 - (b) Highlight **FOUR** reasons for unethical behaviour among the finance professionals. (4 marks)
 - (c) Explain **THREE** ways of measuring emotional intelligence. (6 marks)
 - (d) Examine **THREE** types of internal controls in an organisation. (6 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) The Enron Corporation was regarded as a corporate giant. But after a good run, it failed miserably and ended up as a bankrupt business. The failure and bankruptcy of the Enron Corporation jolted Wall Street as well as it put several employees on the verge of the financial crisis.

Required:

In relation to the above statement:

- (i) Summarise **FOUR** causes of Enron Scandal. (4 marks)
 - (ii) Evaluate **THREE** effects of the Enron Scandal in the financial sector. (6 marks)
 - (b) Based on resource dependency theory, describe **FOUR** categories of managers. (4 marks)
 - (c) Explain **THREE** main principles of social media ethics and etiquette. (6 marks)
- (Total: 20 marks)**

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CIFA FOUNDATION LEVEL

PROFESSIONAL ETHICS AND GOVERNANCE

MONDAY: 1 August 2022. Afternoon paper.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

QUESTION ONE

- (a) Discuss three benefits of good ethical conduct in the investment industry. (6 marks)
 - (b) In respect to the duty framework for ethical decision making, summarise two advantages and two disadvantages of the duty framework. (4 marks)
 - (c) Highlight four central components of Cadbury voluntary code of corporate governance. (4 marks)
 - (d) Examine six duties of a financial analyst to his employer. (6 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Discuss three main objectives of the Organisation for Economic Cooperation and Development (OECD). (6 marks)
 - (b) Explain the following non-consequentialist theories:
 - (i) Duty based theory. (2 marks)
 - (ii) The rights theory. (2 marks)
 - (iii) Divine command theory. (2 marks)
 - (iv) The fairness or justice theory. (2 marks)
 - (c) Evaluate the following theories as used in corporate governance:
 - (i) Political theory. (3 marks)
 - (ii) Transaction cost theory. (3 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Evaluate three components of emotional intelligence in relation to investment function. (6 marks)
 - (b)
 - (i) Explain the term “ethical risk”. (2 marks)
 - (ii) Examine three ways of managing ethical risk. (6 marks)
 - (c) In relation to stakeholders management, explain three roles of institutional investors in corporate governance. (3 marks)
 - (d) In relation to Enterprise Risk Management (ERM):
 - (i) Explain the term “risk governance”. (1 mark)
 - (ii) Distinguish between “centralised risk management” and “decentralised risk management”. (2 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Capital markets are currently seeking to promote finance development that meets the need of the present, without compromising the ability of future generations to meet their own needs.

In light of the above statement, explain three ways in which capital market could promote sustainable development of a country. (6 marks)

- (b) In relation to theories of corporate governance, evaluate the following agency dilemma:

(i) Shareholders and management. (3 marks)

(ii) Shareholders and creditors. (3 marks)

(iii) Shareholders and other stakeholders. (3 marks)

- (c) Summarise five requirements of composite construction in performance reporting. (5 marks)

(Total: 20 marks)

QUESTION FIVE

- (a) Discuss three reasons why discrimination is bad for business. (6 marks)

- (b) Explain three challenges to ethical behaviour and ethical dilemma. (6 marks)

- (c) Examine five rights of shareholders in an organisation. (5 marks)

- (d) Examine three internal stakeholders groups in relation to shareholders management. (3 marks)

(Total: 20 marks)

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CIFA FOUNDATION LEVEL

PROFESSIONAL ETHICS AND GOVERNANCE

MONDAY: 4 April 2022. Afternoon paper.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

QUESTION ONE

- (a) The code of ethics and standards are intended to guide the investment professionals as well as all participants in the investment industry to identify, promote and follow high ethical standards.

With reference to the above statement, explain five fundamental ethical and professional principles that are applicable to the investment industry professionals. (10 marks)

- (b) Examine four threats to ethical behaviour that financial analysts should avoid while carrying out their duties. (4 marks)
- (c) Carol Gillian states that the post-conventional level of moral thinking can be dealt based on the two types of thinking namely; care-based morality and justice-based morality.

In light of the above statement, outline three principles of:

- (i) Care-based morality. (3 marks)
- (ii) Justice-based morality. (3 marks)

(Total: 20 marks)

QUESTION TWO

- (a) Examine four ways of enhancing ethics and trust in the investment industry. (4 marks)
- (b) Summarise six forms of investment frauds. (6 marks)
- (c) Explain three characteristics of a professional in the investment world. (6 marks)
- (d) Outline four fiduciary obligations of a financial analyst to clients. (4 marks)

(Total: 20 marks)

QUESTION THREE

- (a) The Global Investment Performance Standards (GIPS) were created to provide an ethical framework for the calculation and presentation of the investment performance history of an investment management firm.

In view of the above statement, outline four objectives of the GIPS standards. (4 marks)

- (b) Examine three benefits of complying with the Global Investment Performance Standards (GIPS) to the following market players:
- (i) Asset owners. (3 marks)
- (ii) Prospective clients and investors. (3 marks)
- (c) Explain five principles of corporate governance in the investment world. (10 marks)

(Total: 20 marks)

QUESTION FOUR

- (a) During a finance seminar, a financial analyst of Hakika Ltd. stated that it is important for chief executive officer (CEO) to have emotional intelligence.

In view of the above statement, explain four benefits of emotional intelligence to a leader. (8 marks)

- (b) Summarise five roles played by the board in the Enterprise Risk Management (ERM) process. (5 marks)
- (c) Outline four components of financial reporting. (4 marks)
- (d) Examine three benefits of using case studies in dealing with professional values and ethical dilemmas. (3 marks)

(Total: 20 marks)

QUESTION FIVE

- (a) Explain the following theories as used in corporate governance:

(i) Agency theory. (3 marks)

(ii) Stewardship theory. (3 marks)

(iii) Stakeholder's theory. (3 marks)

(iv) Resource dependence theory. (3 marks)

- (b) There are a number of ways of resolving stakeholders' conflict.

In relation to the above statement, examine four ways of resolving conflict according to Cyert and March.

(4 marks)

- (c) Summarise four roles of institutional investors in corporate governance.

(4 marks)

(Total: 20 marks)

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CIFA FOUNDATION LEVEL

PROFESSIONAL ETHICS AND GOVERNANCE

WEDNESDAY: 15 December 2021.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

The operations of a company should be guided by ethical practices that seek to promote good corporate citizenship and maximisation of shareholders returns.

In view of the above statement, examine the roles of the board in promotion of ethical conduct under the following aspects:

- (a) Ethics and integrity. (4 marks)
 - (b) Code of conduct. (4 marks)
 - (c) Conflict of interest. (4 marks)
 - (d) Legal compliance audits. (4 marks)
 - (e) Stakeholders engagement. (4 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) With respect to the code of conduct and ethics guiding members of the Institute of Certified Investment and Financial Analysts, explain the following:

- (i) Charging fees when offering professional services. (6 marks)
- (ii) The don'ts while marketing and advertising professional services. (6 marks)

- (b) Consequentialism holds that we are morally obligated to act in ways that produce the best consequences.

With reference to the above statement, explain four types of consequentialism. (8 marks)

(Total: 20 marks)

QUESTION THREE

- (a) Discuss five red flags of an online investment fraud. (10 marks)
- (b) Wayne Payne (1985) and Daniel Goleman (1998) popularised the idea of emotional intelligence in organisations.

With reference to the above statement:

- (i) Distinguish between “ethical intelligence” and “emotional intelligence”. (4 marks)
- (ii) Explain three benefits of emotional intelligence to a Certified Investment and Financial Analyst in an organisation. (6 marks)

(Total: 20 marks)

QUESTION FOUR

- (a) With the aid of a suitable diagram, analyse the fraud triangle theory. (10 marks)
- (b) The Enron scandal provides a fascinating case study on corporate governance.

With reference to the above statement, state five actionable lessons that investors could take away from the Enron scandal. (5 marks)

- (c) Explain five benefits that an investments advisory firm would gain from compliance with Global Investment Performance Standards (GIPS). (5 marks)

(Total: 20 marks)

QUESTION FIVE

- (a) With regard to theories of corporate governance, distinguish between “transaction cost theory” and “political theory”. (4 marks)

- (b) Institutional investors play a critical role in corporate governance.

With respect to the above statement, outline six core principles in which the stewardship code for institutional investors issued by the Capital Markets Authority (CMA) is based on. (6 marks)

- (c) Examine five branches of ethics. (10 marks)

(Total: 20 marks)

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