



CERTIFIED INVESTMENT AND FINANCIAL ANALYSTS (CIFA)

FOUNDATION LEVEL

PROFESSIONAL ETHICS AND GOVERNANCE

MONDAY: 1 December 2025. Afternoon Paper.

Time Allowed: 3 hours.

This paper consists of five (5) questions. 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) Explain the term “business ethics” as used in business and professional practice. (2 marks)
 - (b) Outline **FOUR** benefits of promoting ethics in professional decision-making. (4 marks)
 - (c) Examine **THREE** ways in which ethical leadership promotes adherence to professional norms. (6 marks)
 - (d) Discuss **FOUR** threats to compliance with the ICIFA code of ethics and professional standards. (8 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Describe **FOUR** features of an effective compliance system in an investment management firm. (4 marks)
 - (b) Outline **FOUR** advantages of adopting the Global Investment Performance Standards (GIPS) verification process. (4 marks)
 - (c) Summarise **FOUR** roles of ethical investment analysis in promoting transparency and fairness in the capital markets. (4 marks)
 - (d) Discuss **FOUR** ways in which investment professionals can apply ethical principles to strengthen public trust in capital markets. (8 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Highlight **THREE** contributions of the King IV Report to modern governance practices. (3 marks)
 - (b) Enumerate **THREE** challenges faced by boards in implementing ethical governance frameworks. (3 marks)
 - (c) Outline **FOUR** principles of the Organisation for Economic Co-operation and Development (OECD) Corporate Governance Guidelines. (4 marks)
 - (d) Analyse **FIVE** measures that financial institutions could take to enhance board accountability and ethical conduct. (10 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Enumerate **THREE** ethical implications of cybersecurity threats on client confidentiality. (3 marks)
 - (b) Outline **THREE** types of ethical risks that can arise from the use of artificial intelligence in finance. (3 marks)
 - (c) Highlight **SIX** ways in which internal control systems promote integrity and accountability in financial organisations. (6 marks)
 - (d) Explain **FOUR** measures that management could adopt to strengthen ethical risk management within organisations. (8 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Discuss **FOUR** techniques of stakeholder engagement that promote inclusivity and trust in decision-making. (4 marks)
- (b) Outline **FOUR** benefits of incorporating Environmental, Social and Governance (ESG) metrics in investment evaluation. (4 marks)
- (c) Highlight **FOUR** ways in which emotional intelligence contributes to teamwork and conflict resolution. (4 marks)
- (d) Maria Githara, an employee at a financial services firm, maintains a personal social media account. She frequently posts about her life, including her opinions on social and political issues. Following a public event, Maria posts a comment on her personal account that is perceived by some as racially insensitive. The post is widely shared and attracts significant negative attention, with many users identifying her employer. The firm's management becomes aware of the situation and faces both internal and public relations crisis, as the company is committed to diversity and inclusion. The firm's code of conduct has a general clause on maintaining professional conduct but does not explicitly address personal social media use.

Required:

Analyse **FOUR** ways in which professional ethics and governance are impacted by an employee's use of social media and technology. (8 marks)

(Total: 20 marks)

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CIFA FOUNDATION LEVEL

PROFESSIONAL ETHICS AND GOVERNANCE

MONDAY: 18 August 2025. 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) Explain **FOUR** principles of the fraud triangle theory. (4 marks)
 - (b) Distinguish between the following fundamental ethical norms in the investment industry:
 - (i) Integrity and objectivity. (2 marks)
 - (ii) Professional competence and due care. (2 marks)
 - (c) Explain **THREE** factors to consider when conducting case studies on brokerage firms and banks. (6 marks)
 - (d) Assess **THREE** benefits an organisation would derive by applying transaction cost theory. (6 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Explain **THREE** reasons why emotional intelligence is important to a leader. (6 marks)
 - (b) Discuss **THREE** features of the virtue framework of ethical decision-making. (6 marks)
 - (c) Generally accepted codes of ethics and standards of professional conduct mandate certain duties to clients with respect to the sale and marketing of complex financial instruments to retail investors.
In relation to the above statement:
 - (i) Explain the term “Complex Financial Instruments”. (2 marks)
 - (ii) Evaluate **THREE** ethical considerations surrounding the sale and marketing of complex financial instruments to retail investors. (6 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) With respect to ethical culture within a financial organisation:
 - (i) State **FOUR** elements of an ethical culture. (4 marks)
 - (ii) Explain **THREE** ways in which leadership can foster an ethical culture. (6 marks)
- (b) Paul Mwangi has recently been appointed as the portfolio manager and has been tasked to prepare a presentation on the various factors influencing business ethics in an organisation.
Required:
Evaluate how the following factors influence business ethics, which Paul Mwangi can include in his presentation:
 - (i) Leadership and tone at the top. (2 marks)
 - (ii) Cultural and societal norms. (2 marks)
- (c) Explain **THREE** principles of the 2017 stewardship code. (6 marks)

(Total: 20 marks)

QUESTION FOUR

- (a) Contemporary issues and emerging trends on data privacy impact the use of client information by financial institutions.

Required:

- (i) Explain the term “Data Privacy”. (2 marks)
- (ii) Describe **THREE** ethical considerations related to data privacy in the use of client information by financial institutions. (6 marks)
- (b) Examine **THREE** ethical implications of executive compensation practices on corporate governance. (6 marks)
- (c) Evaluate **THREE** roles of Environmental, Social and Governance (ESG) factors in ethical investment decision making in relation to capital market sustainability and the actions of market players. (6 marks)

(Total: 20 marks)

QUESTION FIVE

- (a) Summarise **FOUR** benefits of internal controls in mitigating ethical risks within financial organisations. (4 marks)
- (b) In relation to shareholders management, outline **FOUR** roles of shareholder. (4 marks)
- (c) Explain **THREE** ways in which compliance with the Global Investment Performance Standards (GIPS) enhances the credibility and ethical standing of an investment management firm. (6 marks)
- (d) Discuss **THREE** challenges of using ethical concepts when evaluating real-world business case studies. (6 marks)

(Total: 20 marks)

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CIFA FOUNDATION LEVEL
PROFESSIONAL ETHICS AND GOVERNANCE

TUESDAY: 22 April 2025. 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) Summarise **FIVE** threats to ethical behaviour that financial analysts could face while undertaking their work. (5 marks)
- (b) Enumerate **FIVE** similarities between “business ethics” and “corporate ethics”. (5 marks)
- (c) State **FIVE** principles of Utilitarianism theory. (5 marks)
- (d) Outline **FIVE** principles of Egoism theory. (5 marks)

(Total: 20 marks)

QUESTION TWO

- (a) Explain the following frameworks for ethical decision making:
 - (i) The consequentialist framework. (2 marks)
 - (ii) The duty framework. (2 marks)
 - (iii) The virtue framework. (2 marks)
- (b) Describe **THREE** ways in which ethical practices in capital markets enhance societal trust and economic growth. (6 marks)
- (c) Discuss the relevance of the Organisation for Economic Co-operation and Development (OECD) principles of corporate governance to non-OECD countries. (8 marks)

(Total: 20 marks)

QUESTION THREE

- (a) Summarise **SIX** requirements that an investment firm must meet to comply with the global investment performance standards (GIPS). (6 marks)
- (b) State **FOUR** ways in which modular structure of the global investment performance standards (GIPS) address the diverse needs of different investment firms. (4 marks)
- (c) Explain **TWO** principles of good governance in a democratic society. (4 marks)
- (d) Discuss **THREE** characteristics of ethical leaders. (6 marks)

(Total: 20 marks)

QUESTION FOUR

- (a) State **FOUR** implications of resource dependency theory on corporate governance. (4 marks)
 - (b) Identify **FOUR** signs of persons with high emotional intelligence (EQ). (4 marks)
 - (c) Discuss **THREE** ways of measuring emotional intelligence. (6 marks)
 - (d) Explain **THREE** mechanisms of reducing the agency dilemma in corporate governance. (6 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) In relation to accountability, risk management and internal control:
 - (i) Describe **FIVE** objectives of integrated reporting. (5 marks)
 - (ii) Highlight **FIVE** elements of an internal audit charter. (5 marks)
 - (b) Summarise **FOUR** ways in which a senior manager should handle a situation where an employee is engaging in personal business activities during work hours. (4 marks)
 - (c) Discuss **THREE** challenges facing investee companies in their relationship with institutional investors. (6 marks)
- (Total: 20 marks)**
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CIFA FOUNDATION LEVEL

PROFESSIONAL ETHICS AND GOVERNANCE

MONDAY: 2 December 2024. 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) Summarise **FOUR** recommendations of Cadbury Report of the committee on the financial aspects of corporate governance. (4 marks)
- (b) Alexis Muthoni discovers that her firm's top-performing investment product, which she is required to promote, has been found to have a significant negative environmental impact. Her firm's marketing materials do not mention this issue.

Required:

Describe **FOUR** steps that Alexis Muthoni should take in order to address this situation ethically. (4 marks)

- (c) In relation to non-consequentialist theories:
- (i) Explain how the concept of “negative rights” differs from “positive rights”. (2 marks)
- (ii) Highlight **FIVE** reasons why human rights are important. (5 marks)
- (d) Outline **FIVE** strategies used to address challenges related to ethical behaviour and ethical dilemmas. (5 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) In relation to ethics in the investment industry, explain the term “capital market sustainability”. (2 marks)
- (b) Belinda Adhiambo, an investment analyst at Kawi Capital, has been approached by a high-net-worth client seeking to invest his savings in a new technology startup. The startup has shown promising growth potential but the industry is relatively new and carries significant risk.

Required:

- (i) Advise Belinda Adhiambo on **THREE** areas of investment policy statement (IPS) that she should consider while assessing the suitability of the investment for the client. (3 marks)
- (ii) Highlight **THREE** factors that Belinda Adhiambo would consider when evaluating the startup's potential for growth and profitability. (3 marks)
- (c) In relation to accountability, risk management and internal control, enumerate **SIX** strategies used in enterprise risk management. (6 marks)
- (d) Analyse **THREE** assumptions of traditional risk theory as used in the context of ethical risk. (6 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) With respect to principles of governance, state **TWO** potential consequences of a firm failing to adhere to the principle of transparency in its governance practices. (2 marks)
- (b) In relation to Gilligan's theory, highlight **FOUR** principles that govern care-based morality. (4 marks)
- (c) With respect to theories of corporate governance:
- (i) Distinguish between "agency theory" and "stakeholder theory". (4 marks)
- (ii) Discuss **TWO** ways in which political theories of liberalism and socialism influence corporate governance practices. (4 marks)
- (d) Assess **THREE** factors that drive the adoption of global investment performance standards (GIPS). (6 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Explain how the following components of emotional intelligence contribute to effective leadership:
- (i) Self-awareness. (2 marks)
- (ii) Self-regulation. (2 marks)
- (iii) Empathy. (2 marks)
- (iv) Social skills. (2 marks)
- (b) With respect to agency dilemma:
- (i) Explain the concept of "agency dilemma". (2 marks)
- (ii) Describe **ONE** way in which the information asymmetry aspect of agency dilemma could manifest itself in a corporation. (2 marks)
- (c) Examine **FOUR** differences between "virtue ethics" and "feminist ethics". (8 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) In relation to contemporary issues and emerging trends, identify **FOUR** ways in which technology could be used to address racial discrimination at the workplace. (4 marks)
- (b) A company faces a dilemma of complying with a new environmental regulation which could significantly increase costs and potentially reduce profits.

In relation to the above statement, discuss **THREE** ethical principles that the company should consider when making its decision. (6 marks)

- (c) Urban Eco Developments Ltd. is a real estate company specialising in sustainable housing projects. The company is currently working on a new development, the Green City Project, which aims to build eco-friendly residential units in an urban area. The project promises to offer energy-efficient homes and include green spaces to benefit the community. However, it has encountered several issues related to stakeholder management, rights and interests.

Required:

- (i) Identify **FOUR** primary stakeholders of Urban Eco Developments Ltd. in the context of the green city project. (4 marks)
- (ii) Discuss **THREE** potential impacts of failing to address stakeholders concerns effectively. (6 marks)
- (Total: 20 marks)**
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CIFA FOUNDATION LEVEL

PROFESSIONAL ETHICS AND GOVERNANCE

MONDAY: 19 August 2024. 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

The Partners of ABC Investments, a respected asset management firm, finds themselves embroiled in a severe crisis following allegations of insider trading. An anonymous informant has come forward, presenting compelling evidence suggesting that certain employees within the organisation might have engaged in trading activities based on privileged, non-public information. This situation not only poses a grave threat to the firm's reputation but also raises substantial ethical and governance concerns within the investment industry. Investors, employees, regulators, competitors, board of directors and audit committee are among the key stakeholders affected by this crisis.

The primary ethical dilemma revolves around the alleged instances of insider trading, where employees are suspected of using non-public information for personal gain in market transactions. Additionally, questions arise concerning possible conflict of interest and the challenge of balancing the protection of whistle-blowers against the obligation to investigate and address any unethical behaviour within the firm. The Institute of Certified Investment and Financial Analysts (ICIFA) code of ethics and standards of professional conduct indicate potential violations of integrity, fair dealing and confidentiality principles due to the alleged insider trading and unauthorised disclosure of sensitive information.

Required:

- (a) Describe the role of code of ethics in the profession to which partners of ABC Investments belongs. (2 marks)
- (b) Outline **FOUR** benefits of ethical conduct in the investment industry that the board of directors of ABC Investments should take into account in their decision making. (4 marks)
- (c) Analyse **THREE** steps that should be taken by the board of directors and management in response to the whistle-blower's allegations, considering the ethical decision-making framework. (6 marks)
- (d) Discuss **FOUR** ways in which the behaviour of employees at ABC Investments contradicts the principles of professionalism within the investment industry. (8 marks)

(Total: 20 marks)

QUESTION TWO

- (a) Identify **TWO** roles of the following market players in promoting capital market sustainability:
 - (i) Investors. (2 marks)
 - (ii) Companies. (2 marks)
 - (iii) Regulators. (2 marks)
- (b) Describe **FOUR** roles of King IV Report on corporate governance. (8 marks)
- (c) First Country Bank served as the trustee for the Athena Ltd.'s pension plan. Athena Ltd. was the target of a hostile takeover attempt by Newton Incorporation. In attempting to ward off Newton Incorporation, Athena's Ltd. managers persuaded Julian Mureithi, an investment manager at First Country Bank, to purchase Athena Ltd.'s common stock in the open market for the employee pension plan. Athena Ltd.'s officials indicated that such

action would be favourably received and would probably result in other accounts being placed with the bank. Although Julian Mureithi believed the stock was overvalued and would not ordinarily buy it, she purchased the stock to support Athena Ltd.'s managers request. In addition, the purchase would maintain Athena Ltd.'s good favour toward the bank and realise additional new business. The heavy stock purchases caused Athena Ltd.'s market price to rise to such a level that Newton Incorporation retracted its takeover bid.

Required:

Cite **THREE** reasons which justify that Julian Mureithi violated the standards on loyalty, prudence and care. (6 marks)

(Total: 20 marks)

QUESTION THREE

- (a) With respect to accountability, risk management and internal control, outline **FOUR** strategies for managing ethical risk. (4 marks)
- (b) Highlight **TWO** advantages of each of the following theories of corporate governance:
- (i) Stewardship theory. (2 marks)
- (ii) Resource dependency theory. (2 marks)
- (c) Evaluate **THREE** purposes of composites in performance reporting. (6 marks)
- (d) Describe **THREE** principles of corporate governance. (6 marks)

(Total: 20 marks)

QUESTION FOUR

- (a) In relation to theories of corporate governance, identify **FOUR** ways of mitigating agency dilemmas. (4 marks)
- (b) Examine **THREE** roles of the board in enterprise risk management (ERM). (6 marks)
- (c) Summarise **FIVE** recommendations from the Hampel committee on corporate governance. (5 marks)
- (d) Outline **FIVE** features of the Global Investment Performance Standards (GIPSs) on the fundamentals of firm compliance. (5 marks)

(Total: 20 marks)

QUESTION FIVE

- (a) Outline **FOUR** functions of financial reporting. (4 marks)
- (b) Discuss **THREE** ways in which traditional risk theory can be applied to ethical risks within an organisation. (6 marks)
- (c) Explain **TWO** lessons learnt from Enron scandal. (4 marks)
- (d) Pride Investment Management is a prominent financial institution managing a diverse portfolio of assets for a wide range of clients. The company prides itself on its commitment to professional ethics and governance. Recently, one of the senior portfolio managers, Jane Onyango, was found to have been actively promoting certain investment products on her personal social media accounts without disclosing her affiliation with Pride Investment Management. In addition, some of the comments received in the post from the general public have criticised some of the investment products promoted by Jane Onyango as racially discriminatory. This has raised concerns among both internal and external stakeholders about potential conflicts of interest, the impact on the company's reputation and adherence to professional ethics and governance principles.

Required:

- (i) Explain how Jane Onyango's use of social media could impact the ethical standing of Pride Investment Management. (2 marks)
- (ii) State **TWO** measures that Pride Investment Management should take to ensure employees' social media activities align with professional ethics and governance. (2 marks)
- (iii) Outline **Two** approaches that the company could use to address potential racial discrimination concerns arising from preferential treatment in promotions and visibility on social media. (2 marks)

(Total: 20 marks)

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CIFA FOUNDATION LEVEL

PROFESSIONAL ETHICS AND GOVERNANCE

MONDAY: 22 April 2024. 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** characteristics of a profession that distinguishes it from other occupations. (4 marks)
 - (b) Enumerate **FOUR** challenges of ethical behaviour. (4 marks)
 - (c) With reference to non-consequentialist theories, explain the following terms:
 - (i) Duty-based ethics. (2 marks)
 - (ii) Rights-based ethics. (2 marks)
 - (iii) Justice-based ethics. (2 marks)
 - (d) Explain **THREE** effects of social media on professional ethics. (6 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) In relation to Gilligan's theory, identify **FOUR** principles of each of the following:
 - (i) Care-based morality. (4 marks)
 - (ii) Justice-based morality. (4 marks)
 - (b) Identify **FOUR** ways of measuring emotional intelligence. (4 marks)
 - (c) Explain the following frameworks for ethical decision making:
 - (i) The consequentialist framework. (2 marks)
 - (ii) The duty framework. (2 marks)
 - (iii) The virtue framework. (2 marks)
 - (d) Explain the role of a code of ethics in defining a profession. (2 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Summarise **THREE** impacts of social media on governance. (6 marks)
 - (b) Describe **THREE** concerns of professional ethics. (6 marks)
 - (c) Discuss **FOUR** relevance of revised Organisation for Economic Co-operation and Development (OECD) principles of corporate governance to non-OECD countries. (8 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) In relation to accountability, risk management and internal control:
- (i) Explain the term, “ethical risk”. (2 marks)
 - (ii) Outline **SIX** objectives of financial reporting. (6 marks)
- (b) Explain **THREE** benefits of ethical conduct in the investment industry. (6 marks)
- (c) Discuss **THREE** benefits of using ethical concepts to analyse case studies. (6 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) With respect to theories of corporate governance, discuss how the following aspects of the agency dilemma manifest themselves in a corporation:
- (i) Information asymmetry. (2 marks)
 - (ii) Goal misalignment. (2 marks)
 - (iii) Risk aversion. (2 marks)
- (b) Explain the following theories of corporate governance:
- (i) Stewardship theory. (2 marks)
 - (ii) Resource dependency theory. (2 marks)
 - (iii) Stakeholder theory. (2 marks)
- (c) Discuss **FOUR** relationships between “ethical” and “legal” standards. (8 marks)
- (Total: 20 marks)**
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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. (8 marks)
- 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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