



UNIVERSITY OF KELANIYA – SRI LANKA
Centre for Distance and Continuing Education
Faculty of Commerce & Management Studies

Bachelor of Commerce (Special) Degree Fourth Year Examination (External) – 2022

July – 2025

BCOM E 4082 - Corporate Ethics & Governance

No. of questions: Four (04)

Answer all questions.

Time: 03 hours

Question No. 01

- a) What is corporate governance? Explain the role of the Board of Directors within a system of corporate governance.
(07 Marks)
- b) Distinguish between the roles of executive directors and non-executive directors.
(08 Marks)
- c) "Corporate governance is a comprehensive system established to ensure that an organization operates with a strong legal framework. A culture of accountability and the presence of a proper audit mechanism provide significant value by creating a process of internal scrutiny. Accountability and auditing are fundamental pillars for ensuring lawful, ethical, and efficient governance within an organization."
Based on the above statement, explain the importance of accountability and audit in corporate governance.
(10 Marks)
- (Total 25 Marks)**

Question No. 02

- a) "A free market is an economic system in which the allocation of resources and commercial transactions operate based on supply and demand, with minimal or no government intervention. In such a system, individuals and businesses have the freedom to make voluntary decisions."
Briefly explain the relationship between the free market and the following concepts:
- i. Capitalism and the financial market
(05 Marks)
- ii. Capitalism and individual freedom
(05 Marks)

- b) What are the fundamental features of a free market system? (07 Marks)
- c) Explain how manufacturing businesses differ from merchandising businesses. (08 Marks)
- (Total 25 Marks)**

Question No. 03

Mr. Sirimal has worked for over 10 years as a professional accountant in a private commercial organization. His firm has recently been assigned the responsibility of providing accounting consultancy for a newly established business. However, the management of this business has requested him to intentionally withhold certain financial information, though doing so is legally questionable. Mr. Sirimal refuses this request, stating that such actions are unethical and in violation of his professional obligations.

Based on the above case study, answer the following questions:

- a) What are professional ethics? Why are they important for professionals? (08 Marks)
- b) Explain the importance of ethical requirements applicable to accounting professionals for general use. (08 Marks)
- c) Identify the fundamental principles a professional accountant should follow and explain why these principles are essential to their role. (09 Marks)
- (Total 25 Marks)**

Question No. 04

Mr. Amila has been serving as a professional accountant for several years. He is frequently involved in preparing financial statements for a variety of clients. A new client, Sun Bright Ltd., has requested him to prepare financial reports in a way that portrays the company more favorably compared to its competitors. In this situation, Mr. Amila is faced with self-interest threats and self-review threats. However, he decides to uphold his professional ethics by maintaining both integrity and independence in his work.

Based on the above case, answer the following questions:

- a) An adherence to fundamental principles by a professional accountant can be challenged by a wide range of threats. Explain how self-interest threats and self-review threats can impact those fundamental principles.

(10 Marks)

- b) The following safeguards can be used to eliminate or reduce threats to an acceptable level: Briefly explain how these safeguards can be applied to reduce threats to an acceptable level.

- Safeguards created by profession, legislation, or regulation
- Safeguards implemented within the client
- Safeguards implemented within the firm's own systems and procedures

(15 Marks)

(Total 25 Marks)

