

CHUKA



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**EXAMINATION FOR THE AWARD OF THE DEGREE OF BACHELOR OF
COMMERCE AND BACHELOR OF ENTREPRENEURSHIP & ENTERPRISES
MANAGEMENT**

BCOM 405: BUSINESS ETHICS

STREAMS: BCOM Y3S1

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 16/04/2025

8.30 A.M. – 10.30 P.M.

INSTRUCTIONS:

- **SECTION A-QUESTION ONE (1)- IS COMPULSORY**
- **SECTION B-ANSWER ANY OTHER TWO QUESTIONS**

SECTION- A

QUESTION ONE (1)- IS COMPULSORY (30 MARKS)

Metropolitan National Sacco

The 49-year-old Metropolitan National Sacco lost huge sums of cash that is still unaccounted for. In response to the outcry from Sacco members online, ministry for Cooperatives and MSMEs Development, released a statement to clarify and set the record straight regarding the inquiry progress into the Sacco's financial struggles. "SASRA, through its supervisory activities, recommended an inquiry into the financial transactions and governance practices of Metropolitan National Sacco. In collaboration with SASRA, ministry undertook the inquiry, the findings of which were presented to a specially convened meeting of Sacco members. Consequent to the inquiry findings, my ministry issued notices of surcharge to specific officials suspected of mismanaging the Sacco," he said on X. "This action has been met with legal resistance, as the implicated officials went to court challenging the inquiry findings and therefore surcharges against them. The matter is before the court for determination. My ministry has, however, referred the matter to the Directorate of Criminal Investigations (DCI) to probe into potential criminal conduct, including theft and fraud by these officials," added the CS.

According to reports by the team appointed in April 2022 by the Commissioner for Cooperatives Development, Metropolitan National Sacco lost Ksh 49 million illegally withdrawn by a teller at the Society's Nakuru branch, while some Ksh 7 billion was allegedly given out to fake members. The Society's Directors are also said to have recommended payment of dividends using members' cash while there was an overstatement of the Society's balance sheet size by Ksh 14 billion to Ksh 28 billion.

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The external audit also found that non-performing loans, amounting to some Ksh 490 million, were fraudulently disbursed to Sacco employees. Further, Kisumu, Thika and Kiambu branches could not explain how funds totalling some Ksh 176.9 million disappeared. These criminal activities at Metropolitan National happened when the Sacco Societies Fraud Investigation (SSFIU), a wing of SASRA, warned Saccos over the emergence of a new frontier, theft by insiders, and criminal activity perpetrated by Sacco's own staff.

The audit at Metropolitan National unearthed several forgeries involving falsification of documents, forgery of signatures and fraudulent funds deductions. Such incidents have since been referred to the SASRA compliance department, with numerous cases currently awaiting arrests of suspects whose names have already been forwarded back from the ODPP. Four incidents involving forgeries are also under investigation by the SASRA unit. Following incidents like the one at Metropolitan National, SASRA is now advising Saccos to conduct thorough due diligence on the staff they recruit since most reported fraud and theft cases, especially those involving online fraud, involve Sacco staff. Saccos have also been told that while purchasing loans from other financial institutions, they should secure credit scores from CRBs of those facilities to safeguard the Sacco from purchasing poor credit score borrowers.

To protect members from further hemorrhage at Metropolitan, the Senate Committee on Trade and Tourism recently asked the Teachers Service Commission (TSC) to stop remitting cash to Metropolitan Sacco from members who had pulled out of it. The alleged fraud and theft at Metropolitan National deposit-taking Sacco first came to light three years ago following complaints from its members, who could not withdraw or access any loan facilities. A section of the board and management at the Sacco reacted by blaming falsehoods allegedly spread in the media for the financial strains at Metropolitan.

Other managers, while acknowledging that there were indeed serious liquidity challenges at the Society, said services of debt collectors had been procured to recover unpaid loans and urged members not to withdraw from the Sacco. Established in 1977 as Teachers Sacco, Metropolitan Sacco has since opened its common bond to attract all salaried people, businesses, commissions, and minors. According to previous audits, the Sacco has eight branches and 15 satellite offices, but only the two Kiambu and Nairobi are profitable. The Society is said to have borrowed over Ksh 3.143 billion from Ksh 653 million over the past 10 years, severely crippling its financial health.

It is still unclear how the unethical practices at Metropolitan National went unnoticed for long, under the watchful eye of SASRA, who approved its accounts and supervisory reports until members' complaints grew louder. Experts blame a weak and underfunded SASRA for the financial troubles at Metropolitan National, warning that the weak regulatory structures in place will have severe implications for the entire Sacco industry.

Members Protests. Metropolitan National Sacco is said to have lost over Ksh 12 billion through theft and embezzlement in a scheme that is said to have involved former and current staff and directors and rogue regulatory officials. Even after its board was disbanded, plans to resolve problems at Metropolitan National appear far from over if recent street protests indicate what is going on in this Society. Members organized several peaceful demonstrations demanding a refund of their money.

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The Sacco has been facing severe liquidity problems, as revealed by an external audit carried out by the Office of Commissioner for Cooperatives. The audit implicated 58 individuals in the loss of Ksh7.7 billion, with some directors, managers, and members allegedly defrauding the Sacco. This has left thousands of members frustrated and disappointed with the once-thriving giant Sacco. The State has sent letters notifying the individuals of its intention to surcharge them, as detailed in a letter dated April 17, 2023, and signed by Commissioner for Cooperative Development. The Society, which draws its membership from teachers and civil servants, was registered as Teachers Sacco on February 10, 1977. It was later rebranded to Metropolitan Teachers Sacco in 2009.

REQUIRED

QUESTION ONE

- A.). Evaluate Metropolitan's Ethics as demonstrated in this case? **(10 Marks)**
- B.). Discuss whether you will react similarly or differently in this case? **(10 Marks)**
- C.). As an ethics consultant, what would you recommend to Metropolitan regarding the ethical dilemmas it faces? **(10 Marks)**

SECTION B-ANSWER ANY OTHER TWO QUESTIONS

QUESTION TWO

- A.). Discuss Milton Friedman concept of Corporate Social Responsibility. **(10 Marks)**
- B.). Explain the Value Based code of conduct. **(10 Marks)**

QUESTION THREE

- A.). As Chief Executive Officer, Explain the Unethical issues in Procurement. **(10 Marks)**
- B.). Discuss Kantian ethical theory. **(10 Marks)**

QUESTION FOUR

- A.). Explain the differences in shaping ethical decision making. **(10 Marks)**
- B.). Discuss the ethical issues in advertisements. **(10 Marks)**