



**TECHNICAL UNIVERSITY OF MOMBASA**  
***Faculty of Business & Social Studies***

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR  
MASTERS OF SCIENCE FINANCE

**BMG 5102: FINANCIAL ACROSS CULTURES**

END OF SEMESTER EXAMINATIONS

**SERIES:** APRIL 2015

**TIME:** 3 HOURS

**INSTRUCTIONS:**

- Answer question **ONE (Compulsory – Case Study)** and any other **THREE** questions
- Do not write on the question paper.

*This paper consists of Two printed pages*

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**QUESTION 1**

The firm was the official external Auditors of the American Energy Group known as ENRON. Its values were based on obedience to company rules and norms, respect for partners and tradition and the importance of following rules and standard Operating Procedures (SOPs). On the surface, the insistent ways in which the company demanded its employees to obey its values and norms would seem sound practice.

Its employees had to wear dark blue suits, black shoes and in some branches, the managers insisted on those shoes to be laced up. The firm also had in place an extensive Management By Objectives (MBO) system and its employees were constantly being evaluated and checked in their performance.

When Enron went into liquidation questions started to emerge on the role of the auditors in Enron's business failure.

**Required:**

- a) What is the name of the global Auditing firm being referred to in this case study/
- b) What do audit firms embrace as their ethical values?
- c) What are the ethical issues that have been documented in the case of ENRON which the audit firm chose to overlook?
- d) Demonstrate how a strong organizational culture can both be an asset and detrimental to the organization's existence.

**QUESTION 2**

The effectiveness of managing across cultures depends upon the ability to judge the extent to which an organization should implement convergence or divergence across the world.

- a) What do you understand by convergence and under which circumstances is it necessary. **(8 marks)**
- b) What do you understand by divergence and under which circumstances is it necessary. **(8 marks)**
- c) What factors influence the choice between convergence and divergence? **(9 marks)**

**QUESTION 3**

Within the realm of building a corporate culture, discuss the following approaches and indicate their pros and cons.

- a) Ethnocentric approach. **(9 marks)**
- b) Polycentric approach. **(7 marks)**
- c) Geocentric approach. **(9 marks)**

**QUESTION 4**

- a) What kind of cultural differences would you expect to emerge if nationals from the following countries are employed by one organization? **(20 marks)**
  - i) USA
  - ii) JAPAN
  - iii) Saudi Arabia
  - iv) Tanzania
  - v) Kenya
- b) How would you go about harmonizing the cultural differences? **(5 marks)**

**QUESTION 5**

- a) What do you understand by Moral Intelligence? **(10 marks)**
- b) What are the determinants of ethical behaviour. **(5 marks)**
- c) What do you understand by moral courage and how do organizations operationalize it? **(10 marks)**