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# Answers

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1 (a) (i) Three Kohlberg levels

At the pre-conventional level of moral reasoning, morality is conceived of in terms of rewards, punishments and instrumental motivations. Those demonstrating intolerance of regulations in preference for self-serving motives are typical pre-conventionalists.

At the conventional level, morality is understood in terms of compliance with either or both of peer pressure/social expectations or regulations, laws and guidelines. A high degree of compliance is assumed to be a highly moral position.

At the post-conventional level, morality is understood in terms of conformance with 'higher' or 'universal' ethical principles. Post-conventional assumptions often challenge existing regulatory regimes and social norms and so post-conventional behaviour is often costly in personal terms.

<p><b>Level 1: Pre-conventional level</b> Stage/Plane 1: Punishment-obedience orientation Stage/Plane 2: Instrumental relativist orientation</p>
<p><b>Level 2: Conventional level</b> Stage/Plane 3: Good boy-nice girl orientation Stage/Plane 4: Law and order orientation</p>
<p><b>Level 3: Post-conventional level</b> Stage/Plane 5: Social contract orientation Stage/Plane 6: Universal ethical principle orientation</p>

(ii) The level that Jack Mineta operated at

The evidence from the case suggests that Mr Mineta operated at the *pre-conventional* level. Although he seemed less concerned with punishment, his actions were *strongly driven by the incentives of financial rewards* suggesting a rewards orientation consistent with pre-conventional thinking. He seemed prepared to *ignore internal control systems* ('I'm in this job for what I can get for myself – big risks bring big returns and big bonuses for me.'). The internal control systems at Global-bank placed clear limits on traders' behaviour in terms of limits and exposure to the highest risk derivative instruments. Mr Mineta was unconcerned about compliance with controls and prevailing rules would have suggested conventional thinking. Had he complied with the internal control constraints, he would not have lost the large amount of money. Nor would he have made the large prior profits but these were manifestly not sustainable. Miss Hubu's comment that he *'didn't believe in right and wrong'* excludes any suggestion that his ignoring of rules was driven by post-conventional assumptions.

(iii) Stage most appropriate for a professional bank employee

The most appropriate level of moral development for Mr Mineta in his work is stage 4 within the conventional level (level 2). This level stresses compliance with laws and regulations rather than the 3rd stage which is about compliance with norms to gain social acceptance.

Stage 4 is concerned with legal and regulatory compliance and the moral right is that which is the most compliant with prevailing regulatory systems.

*[Tutorial note: it is possible to argue for other stages. Credit should be given for this only when robustly defended with evidence. Unsupported assertions should not be rewarded.]*

(b) FIVE typical causes of internal control failure and the performance of Global-bank

There are several possible causes of internal control failure. The UK Turnbull report (in paragraph 22) gives examples of causes of failure but this list is not exhaustive.

*Poor judgement* in decision-making. Internal control failures can sometimes arise from individual decisions being made based on inadequate information provision or by inexperienced staff.

*Human error* can cause failures although a well-designed internal control environment can help control this to a certain extent.

Control processes being *deliberately circumvented* by employees and others. It is very difficult to completely prevent deliberate circumvention, especially if an employee has a particular reason (in his or her opinion) to do so, such as the belief that higher bonuses will be earned.

*Management overriding controls*, presumably in the belief that the controls put in place are inconvenient or inappropriate and should not apply to them.

The occurrence of *unforeseeable circumstances* is the final cause referred to in the Turnbull Report. Control systems are designed to cope with a given range of variables and when an event happens outwith that range, the system may be unable to cope.

*[Tutorial note: accept other, equivalent explanations or references to other governance codes if valid. Study texts make reference obliquely rather than as a 'list' to learn. The above points can be expressed in different ways.]*

In assessing the performance of Global-bank, there is evidence of a widespread failure of internal control systems and a weak internal control environment. It is possible to highlight five specific failures.

- Poor judgement by Mr Mineta as he breached trading rules (exceeding his trading limit and trading in unauthorised instruments).
- Poor judgement and management over-rides by Mr Evora and an inability or unwillingness to enforce trading rules at the Philos office.
- Mr Evora's withholding of compliance information. He seems to view the Philos office as his own personal fiefdom in which head office directives on trading rules and internal controls do not apply.
- Failure of the head office system to insist on full compliance by acting upon failure by Mr Evora to return the required compliance information.
- Mrs Keefer/head office's attitude does not inspire confidence that the incident could not recur. She has failed to enforce controls throughout the company including at its remote offices. Her denial that the board had any responsibility for the loss would only apply if they had ensured that all internal controls had applied throughout the company including at the Philos office. This was not the case.

**(c) Agency relationship in the case**

Any agency relationship involves two parties: a principal and an agent. The agent is accountable to the principal. The relationship arises from the separation of management and ownership in public companies (and in other situations in society).

In the case scenario, the principal is the Shalala Pension Fund. Its purpose is to manage a fund of many different shares and investments with the explicit aim of maximising the fund's value for the benefit of its members' pension values. Accordingly, it is unable and unwilling to take part in directly controlling the organisation itself and indeed, this would be outside the area of expertise of the fund's management. Shalala therefore entrusts the agents – the directors of Global-bank – with the task of acting in its interests and it holds the directors (agents) to account for their performance.

The agent in the scenario is Mrs Keefer and the board of Global-bank. As CEO, Mrs Keefer is entrusted with running the company and ensuring strategies and controls are in place to achieve the objectives set by the principal. She is therefore, accountable to the principal for all of her actions and she has an unambiguous fiduciary duty to act in the sole interests of the principal. Because the principal (in this case the Shalala Pension Fund) invests for maximum capital growth, this should be Mrs Keefer's primary concern. Anything that means that capital growth is less than it otherwise might be is a failure of her agency responsibility (such as failing to enforce internal controls resulting in Mr Mineta's aberrant behaviour).

**(d) Narrow and wide stakeholders**

According to the technical article in Student Accountant in February 2008, 'Narrow stakeholders are those that are the *most affected by the organisation's policies* and will usually include shareholders, management, employees, suppliers, and customers that *are dependent on the organisation's* output. Wider stakeholders are those *less affected* and may typically include government, less-dependent customers, the wider community (as opposed to local communities) and other peripheral groups.'

The three narrow stakeholders identified in the case are investors, employees and the directors.

*Investors such as the Shalala Pension Fund* have experienced a real reduction in the value of their Global-bank holding and the publicity associated with the loss means that the share price will suffer in the short to medium term. These investors are being asked to re-finance the capital base of Global-bank to make good the losses, via the rights issue. The investors would look for some reassurance that their further investment would not be squandered before committing. If the rights issue goes ahead and Shalala chooses not to increase its investment, Shalala's 12% holding could be diluted, thereby reducing its influence over the company. In the worst case scenario, should the re-financing fail, Shalala would be unlikely to recover much value from its holding if Global-bank was consequently forced into administration.

*Employees* such as Miss Hubu and Mr Evora are likely to experience some concerns about their job security in the aftermath of the loss with those at the Philos office perhaps being the most likely to be affected. Mr Evora may be the subject of disciplinary action for his repeated failures of internal control compliance.

*Directors* such as Mrs Keefer are likely to experience a much higher level of investor scrutiny for some time to come and Mrs Keefer herself may not survive in her post. The apparent failure of the Global-bank board in its agency responsibilities is likely to increase the amount of intervention by investors and this will be an inconvenience for the board until such time as investor confidence is fully restored. Benefits such as bonuses may be subject to revisions at general meetings and other directors, seen as complicit in Mr Mineta's losses, may not survive their next retirement by rotation election.

*[Tutorial note: some parts of the assessment may be assumed to apply to more than one stakeholder. Individual employees listed as separate stakeholders should attract marks for one stakeholder in total.]*

(e) Letter to Mrs Keefer

Shalala Pension Fund  
Spanner Street  
Big City  
8 June 2009

Global-bank  
16 St Thomas's Doubt  
London  
WC2T 8XX

Dear Mrs Keefer,

**Internal control issues within Global-bank**

I have been asked by the trustees of the Shalala Pension Fund to convey our expectations of you in respect of your roles and responsibilities in internal controls. We very much regret the circumstances that have made this reminder necessary. In line with the COSO recommendations, the trustees of the Shalala Pension Fund expect you to adopt four major responsibilities in respect of overseeing internal controls in Global-bank.

At the outset, the trustees of the Shalala Pension Fund would like to express their disappointment that you should suggest, as you did at the recent EGM, that the loss incurred by Mr Mineta was 'genuinely unforeseeable'. From our reading of the situation, you are highly complicit in the loss through your *failure in respect of the company's internal controls*.

Ultimately, it is the chief executive of any organisation who *must assume final responsibility for all internal controls*. It is you as CEO who must assume 'ownership' of the systems and this ownership must be a part of the manner in which you lead the company. In particular, this means that you must set the tone from the top in both *establishing and enforcing the control environment*. We understand that a number of *failures to return compliance information* from Philos were not acted upon and this is a clear failure on head office's part to enforce the internal control environment throughout the company. The control environment is enforced through having internal control compliance *embedded within the culture of the company* and it was, in our view, clearly your responsibility to facilitate this. From what we can gather, the *culture in the Philos office was more driven by Mr Evora's personality* than by your imposition of norms from head office and this was clearly one of the causes of Mr Mineta's behaviour.

This setting of the tone should express itself in terms of the way that managers are treated and the way that the *tone is cascaded down through the company* including to individual branch offices such as Philos and other subsidiary companies if relevant. It seems self-evident, in hindsight, that the *Philos office felt they could act in breach of the relevant internal controls with impunity* and this most certainly should not have been allowed. Finally, as major shareholders in Global-bank, the Shalala trustees expect you to *pay particular attention to those areas most vulnerable or open to damaging breaches*. The financial products being traded at Philos clearly fit into this in our view as the *company has demonstrated its vulnerability to losses on derivatives trading when inadequately controlled*.

In addition, I have been asked in particular to draw your attention to the *failure of the company to operate an effective internal audit function*. We understand that the audit committee has been compromised by a shortage of members to the point that its reporting was *criticised by the external auditors*. The Shalala Pension Fund considers the internal audit function to be an imperative part of the governance structure and we are disappointed that *you have seemingly failed to give it the priority it clearly deserves*. We trust that recent events have reinforced this importance to yourself and other members of the Global-bank board.

I would emphasise again the seriousness with which the trustees of the Shalala Pension Fund view your management failures in this unhappy episode and we look forward to hearing your considered responses to the points made.

Yours sincerely,

M. Haber.

On behalf of Shalala Pension Fund.

*[Tutorial note: underlined points are the CEO's responsibilities; italicised points are the criticisms of Mrs Keefer. Allow for a range of ways of expressing these points.]*

2 (a) Explain 'the public interest'

Public interest concerns the *overall welfare of society* as well as the sectional interest of the shareholders in a particular company. It is generally assumed, for example, that *all professional actions*, whether by medical, legal or accounting professionals, should be for the greater good rather than for sectional interest.

Accounting has a large potential impact and so the public interest 'test' is important. Mrs Yttria made specific reference to audit and assurance. In auditing and assurance, for example, the working of capital markets – and *hence the value of tax revenues, pensions and investment* – rests upon accountants' behaviour. In management accounting and financial management, the stability of business organisations – and *hence the security of jobs and the supply of important products* – also depends on the professional behaviour of accountants.

**(b) Ethical threats**

In its 2005 code of professional ethics, the International Federation of Accountants (IFAC) identified five types of ethical threat (s.110.10). These are (quoted verbatim):

- (a) Self-interest threats, which may occur as a result of the financial or other interests of a professional accountant or of an immediate family member;
- (b) Self-review threats, which may occur when a previous judgement needs to be re-evaluated by the professional accountant responsible for that judgement;
- (c) Advocacy threats, which may occur when a professional accountant promotes a position or opinion to the point that subsequent objectivity may be compromised;
- (d) Familiarity threats, which may occur when, because of a close relationship, a professional accountant becomes too sympathetic to the interests of others; and
- (e) Intimidation threats, which may occur when a professional accountant may be deterred from acting objectively by threats, actual or perceived.

There are obvious *familiarity threats* in supplying multiple services to the same client in that the firm will possibly be less likely to be rigorous in the audit and may tend to give the client the benefit of the doubt in marginal cases to avoid upsetting them and risk losing the other services. The potential lack of impartiality may give rise to *advocacy threats* in that whilst acting as 'referee' in audit and assurance work, the firm may be lobbying for the client on other areas of work. The high degree of dependence that the firm has on the client opens it up to the *threat of intimidation*. The more dependent the firm becomes on the client for its revenues and profits, the more tempting it may become for the client to seek favourable audit judgements from the firm with the implied threat that the firm could lose other business if it was too harsh. A *self-interest threat* therefore arises as senior members of the accounting firm give precedence to the protection of their own financial position over the wider public interest of having an auditor partially captured by a client.

**(c) Accounting profession and deep green (or deep ecologist) position**

Mr Nahum's remarks are similar to some of the positions espoused by deep green theorists, tending as they are, towards the anti-capitalist and the anti-corporatist political left.

Biased and value laden – the belief that accounting (and other professions) work within an unstated set of contestable values. The deep green position argues that accounting is captured by the minority interests of capitalism and acts as the 'servant' of capital.

Environmental degradation is a key charge made by deep greens against business in general and, by implication, against accountants. Accountants serve the interests of business (rather than the environment) and hence accountants are complicit in the creation of environmental damage by their unquestioning adherence (in the opinion of the deep greens) to a set of rules that supports capital.

Poverty and 'animal rights' are themes raised by deep greens as items that should be on accounting's agenda. One view among some deep greens is that humans have no more moral rights than animals and that activities perpetuating animal unfairness or human poverty should be challenged by accounting as a profession.

Inter and intra-generational 'social injustices' are often cited as problems with the 'unfettered' capitalist business model which, the deep greens argue, accounting supports and is therefore complicit in. Some business activities result in wealth disparities in this generation (intra-generational) and deprive future generations of resources (inter-generational injustice).

*[Tutorial note: allow for other valid approaches to this answer.]*

**3 (a) (i) Leaving the service of a board**

*Resignation with or without notice.* Any director is free to withdraw his or her labour at any time but there is normally a notice period required to facilitate an orderly transition from the outgoing chief executive to the incoming one.

*Not offering himself/herself for re-election.* Terms of office, which are typically three years, are renewable if the director offers him or herself for re-election and the shareholders support the renewal. Retirement usually takes place at the end of a three-year term when the director decides not to seek re-election.

*Death in service* when, obviously, the director is unable to either provide notice or seek retirement.

*Failure of the company.* When a company fails, all directors' contracts are cancelled although this need not signal the end of the directors' involvement with company affairs as there may be ongoing legal issues to be resolved.

*Being removed* e.g. by being dismissed for disciplinary offences. It is relatively easy to 'prove' a disciplinary offence but much more difficult to 'prove' incompetence. The nature of disciplinary offences are usually made clear in the terms and conditions of employment and company policy.

*Prolonged absence.* Directors unable to perform their duties owing to protracted absence, for any reason, may be removed. The length of qualifying absence period varies by jurisdiction.

*Being disqualified* from being a company director by a court. Directors can be banned from holding directorships by a court for a number of reasons including personal bankruptcy and other legal issues.

*Failing to be re-elected* if, having offered him or herself for re-election, shareholders elect not to re-appoint.

An *'agreed departure'* such as by providing compensation to a director to leave.

**(ii) Discuss Miss Hoiku's statement**

The way that directors' contracts and company law are written (in most countries) makes it difficult to remove a director such as Mr Smith from office during an elected term of office so in that respect, *Miss Hoiku is correct*. Unless his contract has highly specific performance targets built in to it, it is *difficult to remove Mr Smith for incompetence* in the short-term as it is sometimes *difficult to assess the success of strategies* until some time has passed. If the alleged incompetence is within Mr Smith's term of office (typically three years) then it will usually be necessary to *wait until the director offers himself for re-election*. The shareholders can then simply not re-elect the incompetent director (in this case, Mr Smith). The most likely way to achieve the departure of Mr Smith within his term of office will be to *'encourage' him to resign* by other directors failing to support him or by shareholders issuing a vote of no confidence at an AGM or EGM. This would probably involve offering him a suitable financial package to depart at a time chosen by the other members of the board or company shareholders.

**(b) Importance of the chairman's statement**

The chairman's statement (or president's letter in some countries) is an important and usually *voluntary item*, typically carried at the very beginning of an annual report. In general terms, it is intended to *convey important messages to shareholders in general, strategic terms*. As a *separate section from other narrative reporting* sections of an annual report, it offers the chairman the opportunity to inform shareholders about issues that he or she feels it would be beneficial for them to be aware of. This *independent communication* is an important part of the separation of the roles of CEO and chairman.

In the case of TQ Company, the role of the chairman is of particular importance *because of the dominance of Mr Smith*. Miss Hoiku had a particular responsibility to use her most recent statement to *inform shareholders about going concern issues* notwithstanding the difficulties that might cause in her relationship with Mr Smith. Miss Hoiku has an ethical as well as an agency responsibility to *express her independence in the chairman's statement and convey issues relevant to company value* to the company's shareholders. She can use her chairman's statement for this purpose.

**(c) Criticise the structure of the reward package that Mr Smith awarded himself**

The balance between *basic to performance related pay* was very poor. Mr Smith, perhaps being aware that the prospect of gaining much performance related income was low, took the opportunity to increase the fixed element of his income to compensate. This was not only unprofessional and unethical on Mr Smith's part, but it also represented very bad value for shareholders. Having exercised his share options and sold the resulting shares, there was now *no element of alignment of his package with shareholder interests* at all. His award to himself of an *'excessively' expensive company car* was also *not in the shareholders' interests*. The fact that he *exercised and sold all of his share options* means that he will now have no personal financial motivation to take strategic decisions intended to increase TQ Company's share value. This represents a poor degree of alignment between Mr Smith's package and the interests of TQ's shareholders.

**(d) Criticise Miss Hoiku's performance as chairman of TQ Company**

The case describes a particularly poor performance by a company chairman. It is a key function of the chairman to represent the shareholders' interests in the company and Miss Hoiku has *clearly failed in this duty*.

A key reason for her poor performance was her reported inability or *unwillingness to face up to Mr Smith* who was clearly a domineering personality. A key quality of a company chairman is his or her ability and willingness to personally challenge the chief executive if necessary.

She *failed to ensure that a committee structure was in place*, allowing as she did, the remunerations committee to atrophy when two members left the company.

Linked to this, it appears from the case that the *two non-executive directors that left were not replaced* and again, it is a part of the chairman's responsibility to ensure that an adequate number of non-executives are in place on the board.

She inexplicably allowed Mr Smith to *design his own rewards package* and presided over him reducing the performance related element of his package which was clearly misaligned with the shareholders' interests.

When Mr Smith failed to co-ordinate the other directors because of his unspecified business travel, *she failed to hold him to account* thereby allowing the company's strategy to fail.

There seems to have been some *under-reporting of potential strategic problems in the most recent annual report*. A 'future prospects' or 'continuing business' statement is often a required disclosure in an annual report (in many countries) and there is evidence that this *statement may have been missing or misleading* in the most recent annual report.

**4 (a) (i) Roles of a risk manager**

*Providing overall leadership*, vision and direction, involving the establishment of risk management (RM) policies, establishing RM systems etc. Seeking opportunities for improvement or tightening of systems.

*Developing and promoting* RM competences, systems, culture, procedures, protocols and patterns of behaviour. It is important to understand that risk management is as much about instituting and embedding risk systems as much as issuing written procedure. The systems must be capable of accurate risk assessment which seem not to be the case at H&Z as he didn't account for variables other than impact/hazard.

*Reporting* on the above to management and risk committee as appropriate. Reporting information should be in a form able to be used for the generation of external reporting as necessary. John's issuing of 'advice' will usually be less useful than full reporting information containing all of the information necessary for management to decide on risk policy.

*Ensuring compliance* with relevant codes, regulations, statutes, etc. This may be at national level (e.g. Sarbanes Oxley) or it may be industry specific. Banks, oil, mining and some parts of the tourism industry, for example, all have internal risk rules that risk managers are required to comply with.

[Tutorial note: do not reward bullet lists. Study texts both use lists but question says 'describe'.]

**(ii) John Pentanol's understanding of his role**

John appears to misunderstand the role of a risk manager in four ways.

Whereas the establishment of RM policies is usually the most important first step in risk management, *John launched straight into detailed risk assessments* (as he saw it). It is much more important, initially, to gain an understanding of the business, its strategies, controls and risk exposures. The assessment comes once the policy has been put in place.

It is important for the risk manager to report fully on the risks in the organisation and John's *issuing of 'advice' will usually be less useful than full reporting* information. Full reporting would contain all of the information necessary for management to decide on risk policy.

He told Jane Xylene that his role as risk manager involved *eliminating 'all of the highest risks at H&Z Company' which is an incorrect view*. Jane Xylene was correct to say that entrepreneurial risk was important, for example.

The risk manager is an operational role in a company such as H&Z Company and it will usually be up to senior management to decide on important matters such as withdrawal from risky activities. *John was being presumptuous and overstepping his role* in issuing advice on withdrawal from Risk 3. It is his job to report on risks to senior management and for them to make such decisions based on the information he provides.

**(b) Criticise John's advice**

The advice is based on an incomplete and flawed risk assessment. Most simple risk assessment frameworks comprise at least two variables of which impact or hazard is only one. The other key variable is probability. Risk impact has to be *weighed against probability* and the fact that a risk has a high potential impact does not mean the risk should be avoided as long as the probability is within acceptable limits. It is the *weighted combination of hazard/impact and probability* that forms the basis for meaningful risk assessment.

John appears to be very certain of his impact assessments but the case does not tell us on what information the assessment is made. It is important to recognise that *'hard' data is very difficult to obtain on both impact and probability*. Both measures are often made with a degree of assumption and absolute measures such as John's ranking of Risks 1, 2 and 3 are not as straightforward as he suggests.

John also overlooks a key strategic reason for H&Z bearing the risks in the first place, which is the *return achievable by the bearing of risk*. Every investment and business strategy carries a degree of risk and this must be *weighed against the financial return* that can be expected by the bearing of the risk.

**(c) (i) Define 'entrepreneurial risk'**

Entrepreneurial risk is the necessary risk associated with any new business venture or opportunity. It is most clearly seen in entrepreneurial business activity, hence its name. In 'Ansoff' terms, entrepreneurial risk is expressed in terms of the unknowns of the market/customer reception of a new venture or of product uncertainties, for example product design, construction, etc. There is also entrepreneurial risk in uncertainties concerning the competences and skills of the entrepreneurs themselves.

Entrepreneurial risk is necessary, as Jane Xylene suggested, because it is from taking these risks that business opportunities arise. The fact that the opportunity may not be as hoped does not mean it should not be pursued. Any new product, new market development or new activity is a potential source of entrepreneurial risk but these are also the sources of future revenue streams and hence growth in company value.

**(ii) Critically evaluate Jane Xylene's view of risk management**

There are a number of arguments against risk management in general. These arguments apply against the totality of risk management and also of the employment of inappropriate risk measures.

There is a *cost* associated with all elements of risk management which must obviously be borne by the company.

*Disruption* to normal organisational practices and procedures as risk systems are complied with.

*Slowing* (introducing friction to) the seizing of new business opportunities or the development of internal systems as they are scrutinised for risk.

'*STOP*' errors can occur as a result of risk management systems where a practice or opportunity has been stopped on the grounds of its risk when it should have been allowed to proceed. This may be the case with Risk 3 in the case. (Contrast with 'GO' errors which are the opposite of STOP errors.)

There are also arguments for risk management people and systems in H&Z. The most obvious benefit is that an effective risk system *identifies those risks that could detract* from the achievements of the company's strategic objectives. In this respect, it can *prevent costly mistakes* by advising against those actions that may lose the company value. It also has the effect of *reassuring investors* and capital markets that the company is aware of and is in the process of managing its risks. Where relevant, risk management is *necessary for compliance* with codes, listing rules or statutory instruments.

- 1 (a) (i)** 2 marks for each Kohlberg level identified and explained. Half mark for identification only.  
Up to a maximum of 6 marks. (6 marks)
- (ii)** Half mark for correct identification of Mineta’s level. One mark for each relevant justifying point  
up to a maximum of 4 marks. (Maximum 4 marks)
- (iii)** 1 mark for correct identification of stage 4 in conventional level with brief explanation.  
Half mark for identification of conventional only.  
1 mark for explanation of why it is most appropriate level. (2 marks)
- (b)** 1 mark for each cause of failure identified and briefly explained (half mark for identification only)  
up to a maximum of 5.  
1 mark for each internal control failure at Global-bank identified and briefly explained (half mark for  
identification only) up to a maximum of 5. (10 marks)
- (c)** 1 mark for evidence of understanding the principal-agency relationship.  
1 mark for explanation of principal side up to a maximum of 2 marks.  
1 mark for explanation of agency side up to a maximum of 2 marks. (Maximum 4 marks)
- (d)** 3 marks for distinguishing between narrow and wide stakeholders.  
Half mark for each narrow stakeholder identified up to a maximum of 1.5 marks.  
2 marks for assessment of the loss and refinancing on each identified narrow stakeholder (max of 6)  
Total of marks = 10.5 (Maximum 10 marks)
- (e)** 1 mark for each CEO role identified and briefly explained up to a maximum of 4.  
1 mark for each relevant criticism of Mrs Keefer’s performance (linked to case) up to a maximum of 6. (10 marks)
- Professional marks  
1 mark for the physical layout of the letter, address and signoff.  
3 marks for flow, persuasiveness and tone. (4 marks)
- (Total 50 marks)**
- 2 (a)** 2 marks for definition/evidence of understanding of ‘public interest’  
3 marks for explanation of application to accounting. (5 marks)
- (b) (i)** 1 mark for each type of ethical threat described (half for identification only) up to a maximum of 5 marks. (5 marks)
- (ii)** 2 marks for assessment of each ethical threat in the case highlighted by Mr Mordue. (8 marks)
- (c)** Up to 2 marks for each area of agreement identified and assessed up to a maximum of 7. (Maximum 7 marks)
- (Total 25 marks)**



- 3 (a) (i)** 1 mark for each way identified and explained. Half for identification only. (Maximum 4 marks)
- (ii)** 1 mark for each relevant discussion point made. (4 marks)
- (b)** 1 mark for each relevant comment made. (5 marks)
- (c)** 1 mark for each relevant point of criticism clearly made. (4 marks)
- (d)** 1 mark for each relevant point of criticism clearly made. (8 marks)
- (Total 25 marks)**
- 4 (a) (i)** 1 mark for evidence of understanding in each type of role (half mark for identification and half for description) to a maximum of 4 marks. (4 marks)
- (ii)** 1 mark for each relevant assessment comment on John's understanding of the role. (4 marks)
- (b)** 2 marks for evidence of understanding of risk assessment (impact/hazard and probability).  
2 marks for recognition of uncertainties over impact and probability information and description.  
2 marks for importance of return and recognition of lack of return/benefit information and description. (6 marks)
- (c) (i)** 2 marks for definition.  
2 marks for explanation of its importance. (4 marks)
- (ii)** 1 mark for each relevant point made in the case *for* Jane Xylene's view (i.e. against risk management) up to a maximum of 4.  
1 mark for each relevant point made in the case *against* Jane Xylene's view (i.e. in favour of risk management) up to a maximum of 3. (7 marks)
- (Total 25 marks)**