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**SUMMATIVE (FORMAL) ASSESSMENT: MODULE 9**

**ETHICS AND PROFESSIONAL PRACTICE**

This is the **summative (formal) assessment** for **Module 9** of this course and is compulsory for all candidates who **selected this module as one of their elective modules**.

**The mark awarded for this assessment will determine your final mark for Module 9**. In order to pass this module, you need to obtain a mark of 50% or more for this assessment.

**INSTRUCTIONS FOR COMPLETION AND SUBMISSION OF ASSESSMENT**

**Please read the following instructions very carefully before submitting / uploading your assessment on the Foundation Certificate web pages.**

1. You must use this document for the answering of the assessment for this module. The answers to each question must be completed using this document with the answers populated under each question.

2. All assessments must be submitted electronically in **Microsoft Word format**, using a standard A4 size page and an 11-point Arial font. This document has been set up with these parameters – **please do not change the document settings in any way**. **DO NOT** submit your assessment in PDF format as it will be returned to you unmarked.

3. No limit has been set for the length of your answers to the questions. However, please be guided by the mark allocation for each question. More often than not, one fact / statement will earn one mark (unless it is obvious from the question that this is not the case).

4. You must save this document using the following format: **[studentID.assessment9]**. An example would be something along the following lines: 202223-336.assessment9. **Please also include the filename as a footer to each page of the assessment** (this has been pre-populated for you, merely replace the words “studentnumber” with the student number allocated to you). Do not include your name or any other identifying words in your file name. **Assessments that do not comply with this instruction will be returned to candidates unmarked**.

5. Before you will be allowed to upload / submit your assessment via the portal on the Foundation Certificate web pages, you will be required to confirm / certify that you are the person who completed the assessment and that the work submitted is your own, original work. Please see the part of the Course Handbook that deals with plagiarism and dishonesty in the submission of assessments. **Please note that copying and pasting from the Guidance Text into your answer is prohibited and constitutes plagiarism. You must write the answers to the questions in your own words**.

6.The final submission date for this assessment is **31 July 2024**. The assessment submission portal will close at **23:00 (11 pm) BST (GMT +1) on 31 July 2024**. No submissions can be made after the portal has closed and no further uploading of documents will be allowed, no matter the circumstances.

**ANSWER ALL THE QUESTIONS**

**QUESTION 1 (multiple-choice questions) [10 marks in total]**

Questions 1.1. – 1.10. are multiple-choice questions designed to assess your ability to think critically about the subject. Please read each question carefully before reading the answer options. Be aware that some questions may seem to have more than one right answer, but you are to look for the one that makes the most sense and is the most correct. When you have a clear idea of the question, find your answer and mark your selection on the answer sheet by highlighting the relevant paragraph **in yellow**. Select only **ONE** answer. Candidates who select more than one answer will receive no mark for that specific question.

**Question 1.1**

Please choose the **most correct answer** from the options below:

INSOL International’s *Ethical Principles for Insolvency Professionals* –

1. creates a set of rules by which stakeholders and the public in most jurisdictions would be able to determine whether insolvency practitioners are acting in accordance with ethical principles.
2. are mandatory and apply to all its members.
3. creates a set of rules which all jurisdictions have to incorporate into their insolvency frameworks.
4. creates a set of best practice principles to inform and educate insolvency practitioners and stakeholders by providing ethical and professional guidance on issues of importance.

**Question 1.2**

The “Creditors Bargain Theory” approach to insolvency proposes the following with regard to the **protection of competing interests** in insolvency proceedings:

1. Creditors’ interests are of paramount importance and as such only these interests should be protected in insolvency.
2. The interests of stakeholders should be regarded in the same manner as those of creditors.
3. Creditors’ interests are of paramount importance, however, the interests of other stakeholders should also be considered where this would be in the creditors’ interests.
4. Only the shareholders of the company and the creditors of the company should be protected by the insolvency law (and in that order).

**Question 1.3**

Choose the **correct** answer:

Ethical behaviour by insolvency practitioners can undermine the entire insolvency framework of a country due to a lack of trust and confidence in the insolvency profession.

(a) True

(b) False

**Question 1.4**

Select the **most correct** answer:

Lee is a well-known insolvency practitioner in his jurisdiction and is very active on LinkedIn. He posts the following: “Not all IPs are created equal, most just take your money whilst others really try to help. I know which group I belong to”.

1. Lee’s behaviour online is acceptable as it is true. He is merely advocating for those IPs that are ethical and competent.
2. Lee’s behaviour online is unacceptable as it is true and should not be made known to the world and thereby bring the profession into disrepute.
3. Lee’s behaviour online is acceptable as he is warning people to ensure that they only engage the assistance of ethical IPs.
4. Lee’s behaviour online is unacceptable as it is untrue and brings the profession into disrepute.

**Question 1.5**

Select the **correct** answer:

Ho has been appointed as a liquidator of Company X. Company X has several major creditors, including ABC Bank. A year prior to the liquidation of the Company X, Ho was acting in an advisory capacity for ABC Bank in litigation against Company X where he attempted to advance ABC’s position as a creditor.

This situation is an example of a / an \_\_\_\_\_\_\_\_ threat.

1. self-interest
2. self-review
3. advocacy
4. intimidation

**Question 1.6**

John was appointed as the liquidator of DebtCO. One of DebtCO’s suppliers and major unsecured creditors, Mr Panesar, is very friendly towards John. Mr Panesar has heard in passing that John enjoys sport and managed to procure tickets to several events in the recent Commonwealth Games in Birmingham 2022, which John accepted. John realises that this will be deemed questionable behaviour and he fears that Mr Panesar will make the offer and acceptance of the gift public. This would certainly create a threat to his perceived objectivity.

This situation is an example of a / an \_\_\_\_\_\_\_\_ threat.

1. familiarity
2. self-review
3. advocacy
4. intimidation

**Question 1.7**

Select the **correct** answer:

Poh has been appointed as a liquidator of Company X after the company resolved to wind it up voluntarily. Company X has several major creditors, including ABC Bank. ABC Bank is supportive of the liquidation process and has even gone as far as to agree to contribute to the remuneration of Poh. The bank does not expect to be treated in a different manner to other creditors and assures Poh that their wish is for her to do her job as is ordinarily expected of her. Due to the nature of insolvency work there are often insufficient assets to cover the costs of the procedure.

1. Where a stakeholder offers to assist in ensuring costs are met a threat to independence can arise. Poh should, therefore, disclose the funding agreement and ensure that she treats ABC the same as the other stakeholders. She should also document all her interactions with the bank to manage any possible perception issues that might arise.
2. Where a stakeholder offers to assist in ensuring costs are met a threat to independence can arise. Poh should, therefore, enter into an agreement with ABC Bank to stipulate that she is not expected to treat them in a different manner to other creditors. In order to manage the perception issues that might arise, Poh should not disclose the agreement to other stakeholders.
3. As ABC Bank has already indicated that they don’t expect preferential treatment, Poh is in the clear and believe herself to be able to conduct the liquidation in an impartial and independent manner despite feeling very grateful to the Bank for their assistance.

**Question 1.8**

Select the **correct** answer:

Ronan has been appointed as a new associate at the firm where he is employed. In his new role he has to meet certain targets in relation to the fees he earns for taking appointments. Ronan is currently appointed as a liquidator for a small company. He realises that he will not meet the firm’s target for fees. The most ethical thing for Ronan to do would be to:

1. Ask his administrative assistant to invoice the estate for the use of the firm’s conference venue for meetings held there at a 50% increased fee.
2. Call a creditors’ meeting requesting an adjustment to his agreed fees due to unforeseen circumstances.
3. Carry out his duties in a timely fashion and complete the appointment efficiently and without undue delay, only invoicing for work properly performed.
4. Ask his administrative assistant to double check all the calculations in the case file and then bill the hours as part of his invoice.

**Question 1.9**

Select the **most correct answer** from the options below.

An insolvency practitioner using a fixed fee calculation method for determining the amount of remuneration owed to him, will receive a fair amount of remuneration.

1. This statement is false since the practitioner might have carried out more work and invested more resources than is reflected in the fee.
2. This statement is true since jurisdictions always allows for an adjustment of fees where it is necessary.
3. This statement is false since the practitioner will always receive more remuneration than what is reflected in the work carried out.
4. This statement is false since the only way to receive a fair amount of remuneration is to calculate the remuneration on an hourly rate.

**Question 1.10**

Select the **most correct answer** from the options below.

Timothy has been appointed as the judicial manager of a large public company. As a result of his appointment, he has been privy to confidential information regarding the company and its stakeholders. Timothy is aware that there is a duty on him to maintain confidential information and is very careful when he speaks to the press and members of the public. However, he often discloses work related information including sensitive information to his brother-in-law when they see one another over weekends and Timothy believes the information will be kept confidential by him.

Please select the statement that **best** describes Timothy’s situation:

1. Timothy is in breach of his duty to act in the best interests of the beneficiaries of his duties. Timothy’s disclosure of confidential information to his brother-in-law will pose a conflict of interest and create bias in the exercise of his duties.
2. Timothy is in breach of his duty to confidentiality. As an IP he should maintain confidentiality even in a social environment and should be alert to the possibility of inadvertent disclosure to an immediate family member like his brother-in-law.
3. Timothy is not in breach of his duty to act with good faith. He maintains confidentiality when engaging with the press and public. His disclosure to his brother-in-law poses no risk as disclosures to immediate family members are not regarded as threats to compliance.
4. Timothy is not in breach of his duty to confidentiality. He maintains confidentiality when engaging with the press and public. His disclosure to his brother-in-law poses no risk as he trusts him to keep the information to himself.

**QUESTION 2 (direct questions) [10 marks]**

**Question 2.1 [maximum 4 marks]**

**In your own words**, please explain the difference between honesty and truthfulness and provide an insolvency-related example.

[Type your answer here]

**Question 2.2 [maximum 4 marks]**

Contingency fee arrangements have been a controversial issue in relation to insolvency practitioners and their remuneration. Briefly reflect on this practice and the possible ethical issues in relation to this method of calculation.

[Type your answer here]

**Question 2.3 [maximum 2 marks]**

Please provide **two** reasons why it is important for insolvency practitioners to keep proper records.

[Type your answer here]

**QUESTION 3 (essay-type questions) [15 marks in total]**

**Question 3.1 [maximum 7 marks]**

Please reflect on the ethical duty of professional behaviour as it relates to communication with stakeholders and the media and personal expression.

[Type your answer here]

**Question 3.2 [maximum 8 marks]**

As insolvency appointments often involve complex legal issues, it is common practice for insolvency practitioners to rely on the advice and services of legal professionals. What ethical considerations should be borne in mind, especially regarding the fees of these legal professionals?

[Type your answer here]

**QUESTION 4 (fact-based application-type question) [15 marks in total]**

WeBuild Ltd is a private company registered in Eurafriclia. The company specialises in construction and property development and is well known in the area where it conducts its business. Mr B Inlaw, Dr I Dontcare and Mrs I Relevant are the directors of the company. The company has ten shareholders, with Mr B Inlaw and Dr I Dontcare also holding shares in the company.

The company traded profitably for the last 10 years but recently started to experience financial difficulties. One of the main reasons for the financial decline is the fact that several of the company’s employees have instituted a class action claim against WeBuild for workplace-related injuries due to faulty machinery. This also resulted in bad publicity that led to a decline in contracts. The directors of the company were made aware of the issues relating to the machinery, but chose not to take any action to remedy the situation. When the company’s financial position started to decline the directors continued to trade as if nothing was amiss and even made several large payments to themselves by way of performance bonuses. When they received a letter of demand from the company’s major secured creditor, ABC Bank, the directors decided to call a shareholders’ meeting to discuss the company’s options.

Present at this meeting were the shareholders, the directors and Mr Relation, a lawyer and licensed insolvency practitioner, to provide them with information and advice in relation to their options. Some of the shareholders recognised Mr Relation as Mr B Inlaw’s brother-in-law and godfather to his daughter. During the meeting, Mr Relation suggests that the company enter into a voluntary administration procedure. Mr B Inlaw suggests that the company appoint Mr Relation as administrator. He accepts the appointment, ensuring that he discloses his relationship with Mr B Inlaw and says that he will declare that he believes that he will still be able to act with the required independence and impartiality – an undertaking that he complies with by subsequently issuing a written declaration of independence.

After the meeting adjourns, Mr B Inlaw requests the other directors and Mr Relation to stay behind for a brief “planning” meeting. During this subsequent meeting the directors inform Mr Relation that they are concerned about their personal liability for breach of duty. Moreover, they are worried that they might land in hot water due to their decision to continue trading when the company was clearly in dire financial straits. Mr Relation assures them that his focus will not be on them but on trying to rescue the company.

In the weeks that follow, Mr Relation conducts a superficial investigation into the affairs of the company and the circumstances leading to the financial difficulties of the company. He relies on detailed reports drafted by Mr B Inlaw regarding the company’s business and drafts a strategic plan for recovery based on his investigation and the reports he received.

At a meeting of creditors to consider the plan, Mr Relation states that he has found no evidence of any wrongdoing or maladministration by the company’s directors. Mrs Keeneye, a lawyer attending the meeting on behalf of ABC Bank, the major secured creditor, recognises Mr Relation from a television interview where Mr Relation expressed the opinion that banks should be more accommodating in restructuring proceedings and that he thinks that the interests of lower ranking creditors should sometimes outweigh “big money” (referring to financial institutions). She immediately feels uncomfortable with his appointment as administrator.

Several months later the administration fails due to a “lack of funding” to finance the rescue. The administration is subsequently converted to liquidation proceedings and Mr Relation is appointed as the liquidator. A week after his appointment Mr Relation posts a picture of himself and Mr B Inlaw on a catamaran on Instagram and Twitter with the following captions: #IPhardatwork #familyfirst #hopemyassistantcopes.

Mr Relation’s firm has been implementing a work-from-home arrangement for employees, and his secretary and associate have several sensitive documents pertaining to WeBuild Ltd in their possession and on their personal computers at home.

**INSTRUCTIONS**

**Please identify as many ethical issues in the factual scenario as you can find.**

**You are required to identify the ethical issues and explain in detail why they are in fact ethical issues. Your answer should include reference to the ethical principles and the commentary thereon. Where appropriate and suitable, you should also endeavour to elaborate on possible remedies or safeguarding mechanisms to minimise or remove the ethical threats.**

**You may also make use of case law and secondary sources to substantiate your answer.**

[Type your answer here]

**\* End of Assessment \***