PAN AFRICA CHRISTIAN UNIVERSITY

BACHELORS OF BUSINESS LEADERSHIP

END TERM EXAMINATION-ONLINE

DEPARTMENT: BUSINESS

COURSE CODE: BUS 4013

COURSE TITLE: CORPORATE GOVERNANCE

ANSWER FOUR QUESTIONS ONLY {10 MARKS EACH}

SECTION A

QUESTION ONE {COMPULSORY} {10 MARKS}

1. Which of the following is not something performed by the company's board?
   - A. Oversees management and ensures the quality of information provided to shareholders and to financial markets through the financial statements.
   - B. Appoints the corporate officers responsible for managing the company and implementing this strategy
   - C. Day to day supervision of the sales manager.
   - D. Defines the company's strategy.

2. According to Agency theory,
   - A. Information asymmetry does not exist.
   - B. The management board is the agent.

C. Self-interest plays no role.
D. The management board is the principal.

3. The main purpose of Corporate governance is to help build
A. an environment of trust, equity, and transparency and accountability
B. business integrity and financial stability
C. support for stronger growth and more inclusive societies
D. All of the above

4. Which of the following is not a responsibility of audit committees?
A. Monitoring management.
B. Management compensation.
C. Reviewing corporate reporting processes
D. Relations with the independent auditor.

5. A board of Director's responsibility is unlikely to include
A. duty to keep proper accounting records
B. a duty to propose high dividends for the shareholders
C. duty to prevent conflict of interest
D. a duty of managing the company well

6. An internal audit department
A. reports directly to the shareholders.
B. guarantees reliable information processing.
C. is a tool of management
D. is managed by the external auditor.

7. A board member is independent when:
A. S/he represents the shareholders – not other constituencies.
B. S/he is a family member of the CEO.
C. S/he has no relationship of any kind whatsoever with the corporation, its group or the management of either that is such as to color his/her judgment
D. S/he is a top executive of the company supervised.

8. Poor corporate governance can cast doubt on a company's
A. Integrity
B. Transparency and accountability
C. Reliability
D. All of the above

9. Which of the following statement is true?

A. The management board approves the mission, vision, objectives and strategy of the entity.
B. It is the responsibility of internal audit to design and monitor controls that reasonably assure that objectives are met.
C. Conflicts of interests between management and stakeholders can result in bankruptcies or major frauds.
D. Corporate governance addresses the principal–agent relationship between management and directors on the one hand and the relationship between the company and suppliers on the other.

10. The Board of directors must ensure that the Company's corporate governance policies incorporate-
   A. the corporate strategy
   B. ethical business practices
   C. risk management
   D. All of the above

SECTION B: ANSWER THREE QUESTIONS ONLY {10 MARKS EACH}.

QUESTION TWO {10 MARKS}

Study the image below and answer the questions given.

a) Give a suitable title for the image **(1mk)**

b) Describe **four** skills required for one to qualify to be a member of the group **(4mks).**

c) If you are a member of this group and not the leader, discuss **five** duties you would have

(5mks)

QUESTION THREE {10 MARKS}

a. Outline **two** principle Codes of corporate Governance **(2mks)**

b. It is only two months to the Annual general meeting and being one of the shareholders in Utu company, you have received a message inviting you to an impromptu meeting for all the shareholders. The main agenda of the meeting is to come up with strategies that would make the company management act in your interests as the principals of the company. Explain **four** different options you would come up with to address your problem

(8mks)

QUESTION FOUR {10 MARKS}

a) There are critics who argue that Non- executive directors are totally ineffective. Discuss **four** reasons in support of this argument **(4mks)**

b) You have been asked to give a presentation on **three** different responsibilities of the Chief Executive Officer as an employee of a Telecommunication Company. Explain your answer **(6mks)**.

QUESTION FIVE {10 MARKS}

a) You are a member of the compensation committee in a Christian Business organization. Describe **two** responsibilities you have as a team **(2mks)**

b) You are one of the stockholders in Kenya Airways Limited. Discuss **four** rights you have in that capacity **(4mks)**

c) Explain **two** benefits of internal audit to an organization **(4mks)**

QUESTION SIX {10 MARKS}

a) Other than the Annual general meeting, discuss other **two** types of shareholder meetings **(2mks)**

b) Discuss **four** economic risks many businesses in Kenya are facing today **(4mks)**

c) Shoplifting is one of the common human risks faced by many retail stores in Kenya. Discuss **four** different ways you would put in place to minimize this risk **(4mks).**

END OF EXAM