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 one of the following statements is true?
   A. It is the responsibility of internal audit to design and monitor controls that reasonably assure that objectives are met.
   B. The management board approves the mission, vision, objectives and strategy of the entity
   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

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

D. Day to day supervision of the sales manager

3.The Sarbanes–Oxley Act requires that executive officers attest to all the following except

A. Based on their knowledge there are no untrue statements or omissions of material fact.
B. All deficiencies in internal control or any fraud has been disclosed to regulators.
C. The statements fairly present the company's financial condition
D. Their conclusions about effectiveness of internal control

4.In a two-tier structure of corporate governance

A. CEO and chair of the board are split
B. The chair of the non-executive board is also chair of the executive board.
C. Non-executives are responsible for the day-to-day operations.
D. Members of the supervisory board are appointed by the executive board

5.A board member is independent when

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

6.Which of the following is not a responsibility of audit committees

A. Reviewing corporate reporting processes
B. Monitoring management
C. Management compensation
D. Relations with the independent auditor

7.According to Agency theory;

A. The management board is the principal
B. Self- interest plays no role
C. Information asymmetry does not exist
D. The management board is the agent

8.According to best practice the audit committee

A. Nominates the executive board.
B. Is responsible for designing adequate internal controls
C. Oversees the accounting department
D. Selects the auditor

9. A whistleblower procedure should be implemented

A. To support the internal audit department
B. As a tool of public relations
C. For receipt, retention and treatment of complaints received by the company regarding accounting, interna controls or auditing matters.
D. As a tool of management

10. An internal audit department**:**

A. Is managed by the external auditor
B. Guarantees reliable information processing
C. Is a tool of management
D. Reports directly to the shareholders

SECTION TWO

ANSWER THREE QUESTIONS ONLY { 10 MARKS EACH}

QUESTION TWO

You are the newly appointed Chief Executive Officer (CEO) of Masawa Company Limited. The reason you hav been given the position is that both the Board of Directors and the stockholders of the Company hav unanimously agreed that there is need to have a new CEO in place for successful implementation of the strategi plan. They are not happy with the way the company was being run under Maneno the former CEO.

a) Under your management, explain **two** principles you would put in place for proper governance and th achievement of the strategic goals of the organization **(4mks)**

b) Describe **three** responsibilities you will have as the Chief Executive Officer Masawa company **(6mks)**

QUESTION THREE

a) Describe **four** skills you would require for one to qualify to be a member of the Board of directors in an organization **(4mks)**

b) You are one of the stockholders with XYZ Corporation. Together with other stockholders, you have realized that your agents are not in any way acting in your interests. Explain **three** ways you would put in place to chang the state of affairs and save the loss of your huge investment **(6mks)**

QUESTION FOUR

a) Martin was one of the members of the development committee in Ukweli Company limited. Describe his roles in that position **(4mks)**

b) As the Chief Executive Officer of Bora Company, discuss **three** strategies you would put in place to make sure that your Board of Directors is functioning well **(6mks)**

QUESTION FIVE

a) Fred was the Board chairman of Uso corporation. Describe **four** duties he had in that position **(4mks)**

b) Explain **three** trends in corporate governance in the world today **(6mks)**

QUESTION SIX

a) Describe **two** ways you would put in place to overcome the challenges facing corporate governance in Kenya today **(4mks)**

b) Explain **three** long term benefits of corporate governance to an organization **(6mks)**

END OF EXAM