MODERATED BUS 4013 BCM306 CORPORATE GOVERNANCE APRIL 2026 EXAM

QUESTION ONE {COMPULSORY} **{ 30 Marks}**

1. Corporate governance ultimately aims to:
A. Balance power and protect interests
B. Remove management
C. Eliminate risk
D Control governments

2. An independent director is best described as one who:
A. Owns majority shares
B. Has no material relationship with the company
C. Is part of executive management
D. Represents employees

3. Corporate governance codes are usually:
A. Criminal laws
B. Voluntary guidelines with “comply or explain” approach
C. International treaties
D. Accounting standards

4.Which of the following is an internal governance mechanism?
A. Internal controls
B. External auditors
C. Board of directors
D. Government agencies

5. CEO duality means:
A. Two CEOs in one firm
B. CEO holding multiple shares
C. CEO also serving as Board Chair
D. CEO working part-time

6.Whistle-blowing policies support:
A. Secrecy
B. Ethical behavior
C. Anti-corruption
D. Executive compensation

b) The Kenyan government recently announced an Initial Public Offering in Kenya Pipeline Company and invited the public to buy its shares at a rate of Kes.9 per share. You bought 900 shares. Discuss **four** rights you have in that capacity **(4mks)**

c) Discuss **four** challenges facing Corporate governance reforms efforts in Kenya today **(4mks)**

d) Kappa Manufacturing Plc is a locally listed company. In recent years, the company has experienced declining profits despite growing revenue. The CEO Matata also serves as the Chairperson of the Board. The audit committee rarely meets, and several related-party transactions involving directors were not disclosed on time. Some shareholders have raised concerns about lack of transparency and poor communication.

Required:
i) Explain **two** corporate governance issues evident in the case **(4mks)**

ii) Recommend **three** strategies that Kappa Manufacturing Plc should put in place to improve its corporate governance
(6mks)

e). Explain the significance of risk management in achieving good corporate governance in organizations **(6mks)**

SECTION B: ANSWER THREE QUESTIONS {10 MARKS EACH}

QUESTION TWO {10 MARKS}

a) Discuss **two** contents included in the code of corporate governance in Kenya **(2mks)**
b) Discuss **four** reasons behind stakeholder engagement and consultation on the performance and corporate affairs of a public limited companies in the banking Industry **(4mks)**

c) Soko transport Limited is a medium-sized transport company. An accounts officer discovered that senior managers were inflating fuel expenses and approving payments to fictitious suppliers. The company has no formal whistle-blowing policy, and employees fear retaliation if they report wrongdoing. When the accounts officer informally raised concerns with a supervisor, the issue was ignored, and the officer was later demoted and transferred to another branch.

Explain **two** strategies Soko transport limited should put in place to encourage whistle-blowing in the organization **(4mks)**

QUESTION THREE **{10MARKS}**

a) Study the image and answer the question below.

a)Explain **two** reasons you would have in support of the demarcation of the roles of the leader of the group above and those of the liaison person between this group and the organization the group offers oversight to **(4mks)**

b) Beta Utilities is a state owned parastatal which is facing allegations of political interference in board appointments, corruption and weak internal controls. Annual reports are delayed, and procurement decisions are made without transparency. This has greatly affected its performance and the achievement of its goals.

Explain **two** different ways corporate governance principles would improve the parastatal performance if practiced effectively **(4mks)**

c) Suggest to Beta utilities **two** governance reforms which would help in improving its performance **(2mks)**

QUESTION FOUR **{10MARKS}**

a) Zera Ltd is a locally owned food-processing company supplying retail stores nationwide. Recently, the company faced supply chain disruptions, employee strikes over poor working conditions, and losses due to weak internal controls. The board has no risk committee, and stakeholder complaints are rarely addressed. There are also community protests due to environmental pollution.

Discuss **Two** risk management failures by the board of management in Zera Limited **(2mks).**

b) Marcy Limited operates several private health centers. Most board members are close friends of the CEO, and two directors have limited professional experience in healthcare or finance. Board meetings are irregular, and key decisions are often approved without proper discussion or documentation. The shareholders have raised concerns about ineffective board oversight and some of them are threatening to divest their investment with the Company. Explain **two** reasons why a competent and an independent board is urgently required in Marcy limited **(4mks)**

c) Discuss **two** measures which you would recommend to the Board, which once implemented would change the state of affairs in the company **(4mks).**

QUESTION FIVE **{10MARKS}**

Dawn Limited is a locally owned shoe company. The shareholders are not involved in day-to-day operations and have appointed professional managers to run the company. Recently, managers approved expensive office renovations, luxury vehicles, and foreign travel for executives, even though company profits have declined. Dividends to shareholders have been reduced, and there is little transparency in management decision-making.

a i.) Discuss **Two** causes of the agency problem in Dawn Limited **(2mks)**

ii) Explain **two** options the shareholders of this company have in making sure that the board acts in their interests as the principals **(4mks)**

b). Node Telecom Company operates in a highly competitive and technology-driven industry. However, most its board members have backgrounds in traditional industries and lack digital, cybersecurity, and innovation expertise. The board here struggles to understand emerging risks and opportunities, leading to slow strategic responses.

Discuss **four** different ways Node Telecom would improve its Board member's skill set **(4mks).**

End of exam