PAN AFRICA CHRISTIAN UNIVERSITY

BACHELORS OF BUSINESS LEADERSHIP

END TERM EXAMINATION-ONLINE

DEPARTMENT: BUSINESS

COURSE CODE: BCM306/BUS 4013 CORPORATE GOVERNANCE

ANSWER FOUR QUESTIONS ONLY {10 MARKS EACH}

SECTION A

QUESTION ONE {COMPULSORY} {10 MARKS}

You are an employee working in the accounts office of Ukweli company listed on the Nairobi stock Exchange, and while working late one evening during the week, you realized that you had left your expensive pen in the boardroom at an earlier meeting and, given its value, you went upstairs to look for it. As you approached the door you heard the following discussion which was between the company C.E.O (Chief Executive Office) Martin and Ben (a Non -executive director).

"C. E.O: I am deeply concerned that if this fall in profit figures is disclosed in the next annual report, there will be all sorts of problems with the shareholders. We may even lose a number of big investors.

Ben (also the cousin of the Chief Executive): (large sigh) Well, I suppose we could always find a way of making them look better.

C.E.O: How? I can't see it at all.

Ben: Well, we could make them just slightly higher than last year's figures by including the proceeds of the sales of our toothbrush division.

C.E O: But the sale doesn't go through until October.

Ben: No, but it will … and it doesn't make much difference, we need the money on the books now.

C.E.O: But when the accounts are signed off, won't that be fraudulent?

Ben: Not really … I don't see why … it's just a manipulation of timing rather than numbers.

C. E.O: OK. That sounds good to me. Let‟s sort it out now."

You heard one of them move towards the door, and you quickly slipped back to the stairs. You left work and spent the evening worrying about what you should do, if anything.

Required;

a) Explain **TWO** Corporate issues of concern in the above communication between the CEO and Ben, the non -executive board director **(4mks).**

b) Discuss **THREE** roles of Martin in Ukweli company **(6mks)**

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

QUESTION TWO 10 MARKS

a) Explain **TWO** models of corporate governance **(2mks)**

b) As stockholders with Zed Company, you have realized that your agents are not acting in your interests. Discuss FOUR ways you would put in place to change the state of affairs and save the loss of your investment. **(4mks)** .

c) Explain **TWO** reasons why the performance of a company Board must be evaluated **(4mks).**

QUESTION THREE 10 MARKS

a) Discuss **FOUR** different challenges facing corporate governance in Kenya today **(4mks**).

b) Explain **THREE** long term benefits of corporate governance to the Banking Industry **(6mks)**

QUESTION FOUR 10 MARKS

a) Discuss **TWO** positive effects of organizational activities **(4mks)**

b) You are one of the shareholders in XYZ company. A survey on the skills required for members of the company Board of directors was being carried out. Discuss **THREE** skills required for a Board member you would recommend in the questionnaire **(6mks).**

QUESTION FIVE 10 MARKS

a) Discuss **FOUR** parties to corporate governance **(4mks)**

b) Moses was a member of the audit committee in Wetu Corporation. Explain **THREE** of his roles in that position **(6mks)**

QUESTION SIX 10 MARKS

a) Explain **TWO** achievements of the Private Sector Corporate Governance Trust in Kenya

i. (4mks)

b) You are the Chief Executive Officer in Masa Corporation and you have been asked to present a paper at the next board meeting on principles of corporate governance. Discuss **THREE** of these principles **(6mks)**