PAN AFRICA CHRISTIAN UNIVERSITY

DOCTOR OF PHILOSOPHY IN ORGANIZATIONAL LEADERSHIP

END OF SEMESTER EXAMINATION

DEPARTMENT

LEADERSHIP

COURSE CODE

POLD 707

COURSE TITLE

CORPORTAE GOVERNANCE (POLD 707)

EXAM DATE

APRIL 2021

TIME

Duration: 3 hours

INSTRUCTIONS

- Read all questions carefully before attempting.
- Answer Question One (Compulsory) and any other two questions**(Total 20 Marks)**

Question One (Compulsory)

An employee, Fred, working in the accounts office of a medium-sized company listed on the Nairobi Securities Exchange, was working late one evening during the week. He realized he had left his pen in the boardroom at an earlier meeting and, given its value, went upstairs to look for it. As he approached the door, he heard the following discussion: "CEO: 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. Non-executive director (also the cousin of the CEO): (large sigh) Well, I suppose we could always find a way of making them look better. CEO: How? I can't see it at all.

Non-executive director: Well, we could make them just slightly higher than last year's figures by including the proceeds of the sales of our beverage division. CEO: But the sale doesn't go through until October. Non-executive director: No, but it will … and it doesn't make much difference, we need the money on the books now. CEO: But when the accounts are signed off, won't that be fraudulent? Non-executive director: Not really … I don't see why … it's just a manipulation of timing rather than numbers. CEO: OK. That sounds good to me. Let's sort it out now." Fred heard one of them move towards the door, and quickly slipped back to the stairs. He left work and spent the evening worrying about what he should do, if anything. He decided he would anonymously ask the Company Secretary how he could deal with this situation, and bring the issue out into the open.

a) As Company Secretary you receive a report from the employee about the overheard conversation. Write a brief summary for board members of the corporate governance and problems raised by this employee, and the weaknesses in the company's corporate governance which are evident from the conversation which was overheard. (6 marks)

b) Draft a whistleblowing policy statement for the organization. (4 marks)

Question Two

Your organization has created a new position of Sustainability Manager, a position you are interested in. To motivate your candidature, you have been asked prepare and present a paper at the next board meeting on sustainability. Explain the importance for the company of adopting a sustainable approach to its operations (5 Marks)

Question Three

"Ethics makes business sense" Examine this statement, giving examples that you are familiar with. (5 marks)

Question Four

"Strict implementation of corporate governance principles can inhibit creativity, innovation and entrepreneurship." Critically examine this view, highlighting what can be done to achieve a balance between appropriate levels of scrutiny and necessary levels of risk-taking (5 Marks)

Question Five

In 2008, the global financial markets were devastated by the collapse of several major commercial banks and investment banks. Some banks were in such serious financial difficulty that they had to be rescued by the government, or taken over by another bank. There were many different views and opinions about who or what was to blame for the crisis, but many commentators agreed that senior bankers had not recognized the signs of trouble before it was too late.

REQUIRED: Discuss the ways in which the difficulties of the banks and financial markets in 2008 may have been attributable to weak or inadequate corporate governance.(5 marks)