BCM306/ BUS4013: CORPORATE GOVERNANCE ONLINE EXAM

DATE: TUESDAY 6TH DECEMBER 2022 **TIME: 6.00-9.00 P.M.**

QUESTION 1 ***COMPULSORY*** ***(10 MARKS)***

(a) Read the case study below and answer the questions that follow.

You are an audit manager of Satsuma & Co and have been assigned to the audit of Tangerine Tech Co (Tangerine), a company which is planning to list on a stock exchange within six months. The listing rules of the stock exchange require compliance with corporate governance principles, and the directors are unsure whether they are following best practice in relation to this. They have asked the audit engagement partner for their view on this matter.

Tangerine's board is comprised of six executive directors, a non-executive chairman and three other non-executive directors (NEDs). The chairman and one of the NEDs are former executive directors of Tangerine and on reaching retirement age, were asked to take on non-executive roles. The company has established an audit committee, and all NEDs are members including the chairman who chairs the committee. All four members of the audit committee were previously involved in sales or production related roles.

All of the directors have been members of the board for at least four years. As the chairman does not have an executive role, he has the sole responsibility of liaising with the shareholders and answering any of their questions. The company has not established an internal audit function to monitor internal controls.

Required:

(i) Describe **FIVE** Corporate Governance weaknesses faced by Tangerine Tech Company. **(5 Marks)**

(ii) Provide a recommendation to address each weakness in (i) above to ensure compliance with corporate governance principles. **(5 Marks)**

QUESTION 2 ***(10 MARKS)***

(a) Corporate governance holds that as a good practice, directors should be remunerated adequately. Explain **TWO** aspects that are covered in the board remuneration framework. **(4 Marks)**

(b) Janavu Limited has been keen on implementing the best practices in its Corporate Governance system. Discuss **THREE** positive impacts of this discipline to the company. **(6 Marks)**

QUESTION 3 ***(10 MARKS)***

(a) Dr. Julius Kipng'etich is the Group CEO of Jubilee Insurance. Explain any **FOUR** of his responsibilities in that position in the company. **(4 Marks)**

(b) Safaricom PLC has been cited as a success story in matters Corporate Governance. With reference to this statement, discuss any **THREE** components of a Good Corporate Governance. **(6 Marks)**

QUESTION 4 ***(10 MARKS)***

(a) Corporate Governance has a provision detailing the term limits of the board of directors. Explain **TWO** benefits of this. **(4 Marks)**

(b) As a Corporate Governance expert, you have been tasked by Amani Limited to prepare a paper on the Principles of Corporate Governance. Discuss any **THREE** principles that you will cover in your document. **(6 Marks)**

QUESTION 5 ***(10 MARKS)***

(a) You have recently been appointed as a member of the Board of Directors of XELIX Training Institute. Explain **FOUR** roles that you are required to undertake. **(4 Marks)**

(b) Discuss **THREE** factors that a stakeholder should consider when evaluating the management of a company. **(6 Marks)**

QUESTION 6 ***(10 MARKS)***

(a) Risk Management is at the core of Corporate Governance. Based on this statement, explain **FOUR** economic risks that a company may be faced with. **(4 Marks)**

(b) Jabez Limited has a board of directors which is well diversified in terms of gender. Discuss **THREE** benefits that the organization might accrue from this diversity. **(6 Marks)**

End of Exam