



FACULTY OF BUSINESS SCIENCES AND MANAGEMENT

DEPARTMENT OF ACCOUNTING

BACHELOR OF COMMERCE HONOURS DEGREE IN ACCOUNTING

PART II FIRST SEMESTER EXAMINATION

CORPORATE GOVERNANCE (BAC2107)

SEPTEMBER 2024

DURATION: 3 HOURS

INSTRUCTIONS

1. Answer **ALL** questions
2. Begin your answer to each question on a new page.
3. Please indicate the study format (Conventional/Block) on the cover of your answer script.

INFORMATION FOR CANDIDATES

1. Marks per question are as indicated.
2. Questions may be attempted in any order.

This paper consists of five (5) printed pages including the cover page

QUESTION 1 [30 MARKS]

For each of the following questions, just write the letter that corresponds to the answer you consider to be correct. Each question carries 2 marks.

1.1 A company may become insolvent when it:

- a) Makes a loss
- b) Has negative working capital
- c) Cannot meet its budgeted level of working capital
- d) Cannot pay its creditors in full after realization of its assets

1.2 Which one is the dimension of corporate social responsibility?

- a) Corporate philanthropy
- b) Stakeholder priorities and sustainable development
- c) Ethical business
- d) All of the above

1.3 Corporate governance can be defined as:

- a) The system used by firms to control the actions of their employees
- b) The election process used to vote in a new Board of directors
- c) The corporate compliance system used by the firm
- d) The system used by firms to identify who the critical stakeholder are for the firm

1.4 What is the name of the process in which an employee informs another responsible employee in the company about potential unethical behavior?

- a) Whistle- blowing
- b) Purging and releasing
- c) Identification
- d) Information transfer

1.5 Disqualification of directors may result from breaches under:

- a) Income tax Act (Chapter 23:06)
- b) Company and other business entities Act
- c) Finance Act
- d) Capital gains tax Act

1.6 What is green washing?

- a) Transforming products to be more ethical
- b) Making a product appear more ethical than it really is
- c) Converting the company to a green production methods
- d) Convincing customers to buy ethically

1.7 What does ethics define?

- a) The wider community
- b) Business
- c) Right and wrong
- d) Nothing

1.8 Who are examples of organizational stakeholders?

- a) Government
- b) Employees
- c) Customers
- d) All of the above

1.9 The Chairperson of the Board of Directors and CEO should be leaders with:

- a) Vision and problem-solving skills
- b) The ability to motivate
- c) Business acumen
- d) All of the above

- 1.10 Which of the following would most effectively act as the primary objective of a business organization
- a) To make a profit
 - b) To procure resources
 - c) To communicate with shareholders
 - d) To mediate between the organization and the environment
- 1.11 From the options given, which ones represents primary stakeholders of an organization?
- a) Customers
 - b) Suppliers
 - c) Shareholders
 - d) Creditors
- 1.12 The relationship between shareholders and the company, or so called-----, describes shareholders as ----- and managers of the company as -----
- a) Agency relation, Agent, Principal
 - b) Stakeholder management, Agent, Principal
 - c) Agency relation, Principal, Agents
 - d) Stakeholder management, Principal, Agents
- 1.13 The first step in the auditing process should be to secure the commitment of:
- a) Employees
 - b) Executives and directors
 - c) Stockholders
 - d) Customers
- 1.14 Which of the following regarding agency theory is correct?
- a) Agents theory only applies to large entities
 - b) Agents act in the best interest of the principal

- c) Agents are assumed to be in a position of power
- d) Agents theory defines the relationship between agents and directors

1.15 Where an organization takes into account the effect its strategic decisions have on society, this is known as:

- a) Corporate governance
- b) Business policy
- c) Business ethics
- d) Corporate social responsibility

QUESTION 2 [20 MARKS]

- a) List 8 objectives of corporate governance **[8 Marks]**
- b) Discuss the differences between directors and managers **[12 Marks]**

QUESTION 3 [20 MARKS]

- a) Evaluate how internal control system help in risk management **[10 Marks]**
- b) Explain any 5 roles of the audit committee **[10 Marks]**

QUESTION 4 [20 MARKS]

- a) Discuss the roles of the Board Chairperson **[10 Marks]**
- b) Discuss any 5 benefits of separation of roles of Board Chairperson and Managing director **[10 Marks]**

QUESTION 5 [10 MARKS]

Evaluate 5 elements contained in the Cadbury Committee Report **[10 Marks]**

END OF EXAMINATION PAPER