



FACULTY OF BUSINESS SCIENCES AND MANAGEMENT

DEPARTMENT OF ACCOUNTING

BACHELOR OF COMMERCE HONOURS DEGREE IN ACCOUNTING

PART II FIRST SEMESTER EXAMINATION

CORPORATE GOVERNANCE (BAC2107)

APRIL 2024

DURATION: 3 HOURS

INSTRUCTIONS

1. Answer **ALL** questions in Section A and any **three** questions in Section B
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

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

This paper consists of six (6) printed pages including the cover page

SECTION A [40 MARKS]

Answer all questions in this section. Each question carries 2 marks.

Question 1 [30 MARKS]

- i) Which of the following is not one of the underlying principles of corporate governance?
- a) Accountability
 - b) Openness
 - c) Acceptability
 - d) Integrity
- ii) Directors' responsibilities are unlikely to include,
- a) A duty to keep proper accounting records
 - b) A fiduciary duty
 - c) A duty to propose high dividends for shareholders
 - d) A duty of care
- iii) External audit of accounts of a limited company is required?
- a) Because it is demanded by the company's bankers
 - b) By the Company and Other Business Entities Act
 - c) At the discretion of the shareholders
 - d) To detect fraud
- iv) A director of a limited company may not be liable for wrongful trading if he or she
- a) increased the valuation of its inventories to cover any potential shortfall
 - b) brought in some expected sales from last year into the current year
 - c) took every step to minimize the potential loss to creditors
 - d) introduce into the balance sheet an asset based on the valuation of its brands sufficient to meet any shortfall

- v) A----- is a problem, situation, or opportunity requiring an individual, group, or organization to choose among several actions that must be evaluated as right or wrong.
- a) Crisis
 - b) Ethical issue
 - c) indictment
 - d) fraud
- vi) Which one is the dimension (approach) of corporate social responsibility?
- a) Corporate philanthropy
 - b) Stakeholder priorities and sustainable development
 - c) Ethical business
 - d) All of the above
- vii) In large corporations, the ----- is/are the legal overseers of management.
- a) CEO
 - b) Shareholders
 - c) Board members
 - d) None of the above
- viii) 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 new Board of Directors
 - c) The corporate compliance system used by the firm
 - d) The system used by the firms to identify who the critical stakeholders are for the firm
- ix) The Sarbanes Oxley Act was a direct response to which ethics scandal?
- a) Tyco
 - b) WorldCom
 - c) Enron
 - d) None of the above

- x) The system that is used by firms to control and direct their operations and the operations of their employees is called:
- a) Corporate compliance
 - b) Corporate governance
 - c) Corporate control
 - d) Corporate directive
- xi) Shareholders have the right to know all except
- a) Information on the management of the corporation
 - b) Trade secrets
 - c) The company's financial position
 - d) The company's general plans for the future
- xii) Which of the following is not one of the elements of financial reporting
- a) Assets
 - b) Liabilities
 - c) Expenses
 - d) Cash flows
- xiii) Why, according to stakeholder theory, is it in companies' best interest to pay attention to their stakeholders?
- a) If firms only act in their own self-interest employees may feel exploited
 - b) If firms only act in their own self-interest government might put more regulations on them
 - c) If firms only act in their own self-interest customers might not like the image that the company portrays
 - d) If firms only act in their own self-interest and inflict harm on stakeholders, then society might withdraw its support

- xiv) Which of the following would most effectively act as the primary objective of a business organisation ?
- a) To make profits
 - b) To procure resources
 - c) To communicate with shareholders
 - d) To mediate between the organization and the environment
- xv) The four types of social responsibility include:
- a) Legal, philanthropic, economic and ethical
 - b) Ethical, moral, social and economic
 - c) Philanthropic, justice, economic and ethical
 - d) Legal, moral, ethical and economic

QUESTION 2 [10 MARKS]

- a) List six benefits of corporate governance **[6 Marks]**
- b) What is the link between risk management and corporate governance **[4 Marks]**

SECTION B [TOTAL 60 MARKS]

Answer any three questions from this section

QUESTION 3 [20 MARKS]

- a) Discuss in detail, the need to separate the roles of the Board Chairman and the Managing Director **[10 Marks]**
- b) Chairman have no legal position, elucidate this statement and describe the role of Chairman of the board. **[10 Marks]**

QUESTION 4 [20 MARKS]

- a) Elucidate on the important recommendations of the Cadbury Committee Report with regard to the Board of Directors **[10 Marks]**
- Discuss the role of the board of Directors **[10 Marks]**

QUESTION 5 [20 MARKS]

- a) Describe various ways in which risk can be handled **[8 Marks]**
- b) Discuss the attributes of a Company Secretary **[12 Marks]**

QUESTION 6 [20 MARKS]

- a) Elaborate on the factors responsible for increasing attention being devoted to corporate social responsibility by corporates **[10 Marks]**
- b) How do internal controls help in risk management? **[10 Marks]**

QUESTION 7 [20 MARKS]

Discuss the principles of good corporate governance **[20 Marks]**

END OF EXAMINATION PAPER