

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF
COOPERATIVE MANAGEMENT**

BCOP 412: CORPORATE GOVERNANCE

STREAMS:BCOP Y4S2

TIME: 2 HOURS

DAY/DATE: MONDAY 20/09/2021

11.30 A.M – 1.30 P.M

INSTRUCTIONS

- **Answer question one and any other two questions**

QUESTION ONE

- (a) Corporate governance is concerned with the establishment of an appropriate legal, economic and institutional environment that would facilitate and allow business enterprises to grow, thrive and survive as institutions for maximizing shareholders value while being conscious of and providing for the wellbeing of all other stakeholders and society. To achieve this they should adopt certain cannons of good corporate governance. Discuss these cannons. [8 marks]
- (b) Agency problem exists when agents pursues their own interests rather than the interest of their principles. Discuss the conflicts that occur when shareholders pursues their own interest rather that the interest of creditors and the solutions to the conflicts. [6 marks]
- (c) Humble limited manager were engaged in fraudulent activities and the shareholders started complaining that the earnings of the company was decreasing, one of the employees decided to whistle blow to inform the public of inappropriate activities in the company. Discuss the justification of whistle blowing. [6 marks]

- (d) The board of directors of Bimbo limited decided that Sasha limited should supply some construction materials to them during the AGM. It was later found out that Sasha limited is owned by one of the board of directors and his wife is the one managing it. [10 marks]
- (i) Discuss the various types of conflicts of interest involved.
 - (ii) Explain the ways in which these conflicts of interest can be managed.

QUESTION TWO

- (a) An organization is faced with a lot of challenges . The shareholders want their wealth to be maximized and other stakeholders look upon them for their wellbeing. Managers 'achievement of shareholders wealth leads to the compromise of stakeholders 'wellbeing. As a result managers are now in dilemma on what to do. Explain the best way on how managers would resolve these dilemmas in order to improve corporate governance.

[10 marks]

- (b) Corporate governance is backed by several theories. Identify and discuss any theories clearly describing how corporate governance links with shareholders value maximization.

[10 marks]

QUESTION THREE

- (a) Most organizations are in top gear of emphasizing on good corporate governance since it has gained prominence and an organization cannot survive without corporate governance.

Required :

- (i) Explain the reasons as to why corporate governance should be given a top priority in the policy agenda. [6 marks]
 - (ii) Discuss the challenges that is involved in corporate governance. [8 marks]
- (b) A board committees was set up because the company was threatened with a takeover. State the functions of the committee. [6 marks]

QUESTION FOUR

- (a) An organization found that some employees were in possession of confidential information and they were using that information for their own material gain. As a result it was resolved

that there is need for regulation and other board of directors felt that regulation is not necessary. Argue the case for and against this. [12 marks]

(b) Faida limited has been experiencing a lot of risks such as financial and operational risk and as a result they decided to institute an enterprise risk management program. Discuss the role of the enterprise risk management program. [8 marks]
