

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

FOURTH YEAR EXAMINATION FOR THE AWARD OF DEGREE  
OF BACHELOR OF COOPERATIVE MANAGEMENT

BCOP 412: CORPORATE GOVERNANCE

STREAMS: BCOP (Y4S2)

TIME: 2 HOURS

DAY/DATE: MONDAY 06/04/2020

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 shareholders and society. To achieve this they should adopt certain cannons of good corporate governance. Discuss these cannons [8 marks]
- (b) Explain the reasons motivating the increasing interest in corporate governance [8 marks]
- (c) ABC limited was incorporated by an entrepreneur by the name Ali Mubarak. ABC gets its suppliers from Mubarak stores and it was found out the store is owned by his wife and anyone who deals with them must give them a token in order to be given a tender. Ali Mubarak is also employed in another industry that deals with the same kind of business. Explain any form of conflict of interest that exists in this company. [6 marks]
- (d) Discuss the importance of good corporate governance to the shareholders in an organization [5 marks]

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- (e) You have been appointed as a member of board of directors of Bimbo Limited. State any three roles you are required to fulfill [3 marks]

### QUESTION TWO

- (a) The objective of good corporate governance is to maximize the value of the firm by enhancing integrity. Explain how the achievement of this objective might be compromised by the conflicts which might arise between shareholders and management and the solutions to the conflicts. [10 marks]
- (b) Describe any two theories of corporate governance and explain how these theories link with shareholders value [6 marks]
- (c) Highlight the challenges encountered in promoting corporate governance [4 marks]

### QUESTION THREE

- (a) Elements of corporate governance are centered on internal and external mechanisms. Explain any five external governance mechanisms that firms can adopt to enhance control and accountability [10 marks]
- (b) An organization found out 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 others feel that regulation is not necessary. Argue the case for and against this. [10 marks]

### QUESTION FOUR

- (a) Faيدا Limited employees were always in confrontation and never observed the rules and regulations. Most employees reported to work late and thus an organization decided to form a committee to develop employees code of conduct and anyone who does not achieve will be disciplined. Explain the importance of employees code of conduct [10 marks]
- (b) Mentcua plastics has been dumping in the local waste collection centre some unusable chemicals. The residents of a nearby estate started complaining of bad odour emanating from the company. The locals complained that the company pollutes the environment and did not adhere to business ethics and thus wanted the company to stop their operations. Explain the importance of a company adhering to business ethics [10 marks]

