

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: TUESDAY 11/04/2023

11.30 A.M. – 1.30 P.M.

INSTRUCTIONS: Answer question ONE and any other TWO questions

QUESTION ONE

- (a) Corporate governance deals with determining ways to take effective strategic decisions. It gives ultimate authority and complete responsibility to the Board of Directors. In today's market-oriented economy, the need for corporate governance arises. Also, efficiency as well as globalization in significant factors urging corporate governance. Corporate governance is essential to develop added value to the stakeholders. Explain the significance of corporate governance to the organization. [8 marks]
- (b) Stella is employed by Safaricom as procurement officer who deals with tendering process. Safaricom need supplies of stationery and a company by the name Mkopa was awarded the tender. It was then realized that Mkopa was owned by Stella and her husband was managing it and anyone who deals with them must pay something. Discuss the various conflicts of interests that exists here and ways of solving the conflict of interest. [10 marks]
- (c) Agency problem exists when agents pursues their own interests rather than the interest of their principles.
- (i) Discuss the causes of conflicts between shareholders and managers [4 marks]
- (ii) Explain the duties that shareholders have in the organization to economic development. [4 marks]
- (d) Explain the institutional theory in corporate governance [4 marks]

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QUESTION TWO

- (a) Explain the systems of corporate governance that monitor activities of the organization from outside. [10 marks]
- (b) Ethics is a code of conduct that is supposed to align behaviours within an organization and the social framework. Explain the sources of business ethics and the importance of ethics in cooperatives. [10 marks]

QUESTION THREE

- (a) A cooperative needs to understand, control, and articulate the nature and level of risks taken in pursuit of business and thus decided to come up with risk management programme. Explain the purpose of the risk management programme. [8 marks]
- (b) Insider dealing takes place when a person buys or sells securities while knowingly in possession of some piece of confidential information not generally available and which is likely if made available to the general public to materially affect the price of securities of cooperatives. Explain the justification of insider dealing. [6 marks]
- (c) There are certain measures that cooperatives need to employ for the board to be effective. Describe the measures. [6 marks]

QUESTION FOUR

- (a) There have been a lot of governance scandals, boardroom wars in most of the organizations in Kenya such as Uchumi supermarkets and Chase bank and as a result corporate governance was emphasized as a top priority in policy agenda. Explain the reason for this. [8 marks]
- (b) Ethical dilemma arises when two values are in conflict and are difficult to resolve. Explain how the managers of the cooperatives can resolve the dilemma where one of the value interferes with achieving the other value. [8 marks]
- (c) The financial statements presented by cooperative managers raised eyebrows to the shareholders and this the shareholders decided to come up with an audit committee. Highlight the functions of the audit committee. [4 marks]
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