



**National University of
Science and Technology**
Think in Other Terms



FACULTY OF COMMERCE

DEPARTMENT OF FINANCE

MASTER OF SCIENCE IN FISCAL STUDIES

PART I 1st SEMESTER FINAL EXAMINATION– DECEMBER 2014

ETHICS, CORPORATE GOVERNANCE AND DEVELOPMENT [CFS 5104]

TIME ALLOWED: 3 HOURS + 15 Minutes

TOTAL MARKS : 100

INSTRUCTIONS TO CANDIDATES

1. Answer **QUESTION ONE** and any other **THREE (3)** from Section B.
2. Write neatly and legibly.

INFORMATION TO CANDIDATES

1. This paper contains **SIX (6)** Questions.
2. Each full question carry **25** Marks
3. This paper contains **FOUR (4)** printed pages including Cover Page
4. Candidates may write on the question paper but shall not write in the answer booklet during reading time.

Section A- Compulsory

[Total 25 Marks]

Question 1

Read the case study below and answer the questions that follow.

Bright Company

Three years ago, the outgoing CEO/chairman of Bright Company decided to retire having served in the combined role for over ten years of a full 30 year Bright Company career. Succession was not an issue since Mr Dan Ncube had been operating as second in command for a number of years and had recently stepped firmly into “the old man’s” shoes. What followed was a roller coaster ride for investors, where the minor dips were more than compensated by the exhilarating rise in share price. Ncube trebled the size of the company through his aggressive “slash and burn” acquisition strategy, taking the company into uncharted markets around the globe where he bought, stripped and resold huge companies, reaping profits in the process. The board of directors is rightfully pleased with their CEO's performance and the part they played in that success, seven out of ten board members being company executives.

The remaining three were drafted in by the ex CEO/ chairman due to their key expertise in Bright Company’s traditional markets. None have regular contact with shareholders. The board meets irregularly and (by their own admission) do not tend to do more than simply review current performance. Mr Ncube has complete freedom to act and this is widely seen as the reason for the company’s positive trading position. Shareholders are also pleased with performance. However, some institutional investors have aired their concerns as to the sustainability of the current strategy, whether finances exist within Bright Company to support it and whether risks associated with unknown markets make the company overexposed and vulnerable.

At the last board meeting Mr Ncube brushed aside any criticism stating that he was going to take the firm to new heights, a pronouncement met with loud applause from all those in attendance.

Required:

a) With reference to the scenario, discuss four (4) changes to the governance structure that you would recommend for this company. **[15 Marks]**

b) Assuming the changes recommended in part (a) are carried out, describe the possible role of a new board of directors. **[10 Marks]**

Section B- Choose any THREE (3) questions.

Question 2

[Total 25 Marks]

You have worked as a bank teller for several months when one of the other tellers who have become a good friend tells you that her daughter is extremely ill and that she must have an operation to survive. She also tells you that she has no insurance and the operation will cost \$10,000. Some time later you ask her about her daughter and she tells you she is just fine now. She then confides in you that she took \$10,000.00 from a dormant account at the bank to pay for the operation. She assures you that she has already started paying it back and will continue to do so until it is all returned.

Using at least two ethical theories to support your answer, what would you do?

[25 Marks]

Question 3

[Total 25 Marks]

Identify five (5) Corporate Governance challenges that are affecting many parastatals in Zimbabwe. Assess whether there are adequate measures in place to address the identified challenges.

[20, 5 Marks]

Question 4

[Total 25 Marks]

Discuss the Cadbury Committee's contribution to corporate governance and how this has assisted the Zimbabwean banking sector.

[25 Marks]

Question 5

[Total 25 Marks]

It can be argued one cannot engage in a good debate on corporate governance without involving ethics. Good corporate governance entails ethical practices. Analyze and discuss this statement.

[25 Marks]

Question 6

[Total 25 Marks]

How does Corporate Governance matter for business sustainability and development in Zimbabwe?

[25 Marks]

END OF EXAMINATION PAPER