



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



FACULTY OF COMMERCE
DEPARTMENT OF FINANCE
BACHELOR OF COMMERCE (HONORS) FINANCE AND FISCAL STUDIES
PART IV 1ST SEMESTER FINAL EXAMINATION – DECEMBER 2015
CORPORATE GOVERNANCE AND ETHICS [CFI 4107]

TIME ALLOWED: THREE (3) HOURS

INSTRUCTIONS TO CANDIDATES

1. Answer Question **ONE (1)** and any other **THREE (3)** questions.
2. Write neatly and legibly.

INFORMATION FOR 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.

QUESTION 1 (COMPULSORY)

[Total 25 Marks]

(a) Read the case below and answer the questions that follow.

As pressure mounts on the Global Services Medical Aid Society's board to resign, new chairperson Maxwell Ndlovu says the previous council was "ineffective and wracked by poor skills mix", hence the rampant abuse of power by a few.

"The problems at Global Services Medical Aid Society are a tragedy of leadership without integrity and moral authority. It was a betrayal of trust, faith and confidence placed in apex leadership," Ndlovu told the Star News last week, adding the new thrust was anchored on "cost containment, restoring normal services to members and realign board fees, and management salaries to productivity".

The outgoing Global Services Medical Aid Society chairperson also said steps were underway to strengthen corporate governance issues at medical aid society and this would be underpinned by moral conscience, and a robust programme to remodel administrative costs for effective and efficient service delivery.

Corporate governance entails "... responsibility, transparency, accountability, integrity and fairness", Ndlovu said, adding "robust policies, systems and procedures should be put in place".

Required:

- i) Identify and evaluate any governance issues raised in this case in reference to Agency Theory. **[10 Marks]**
 - ii) In your own view, what are the key roles that non-executive directors at Global Services Medical Aid Society neglected resulting in corporate governance decay? **[5 Marks]**
 - iii) Discuss any forms of stakeholder activism that might affect the operations of Global Services Medical Aid Society. **[5 Marks]**
- b) One way of exposing unethical behavior in most countries is through whistle blowing.
Discuss three (3) conditions under which whistle blowing is justified. **[5 Marks]**

QUESTION 2

[Total 25 Marks]

Using ethical theories, identify the ethical issues raised in each of the following ethical dilemmas and explain how you would respond.

Situation A

Bank Teller:

You have worked as a bank teller in Bulawayo for several months when one of the other tellers who has become a good friend tells you that her daughter is extremely ill and that's he must have an operation to survive. She also tells you that she has no medical aid and the operation will cost \$4,000. Sometime later you ask her about her daughter and she tells you she is just fine now. She then confides in you that she took \$4,000 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.

[12.5 Marks]

Situation B

Finance:

Your supervisor enters your office and asks you for a cheque for \$150, for expenses he tells you he incurred entertaining a client the previous night. He submits receipts from a restaurant. At lunch your supervisor's girlfriend stops by to pick him up for lunch and you overhear her telling the receptionist what a great time she had at dinner and dancing with your supervisor the night before.

[12.5 Marks]

QUESTION 3

[Total 25 Marks]

The management of a company would want to prevent the financial statements from giving a true value and fair view of the company's financial position and performance. Discuss.

[25 Marks]

QUESTION 4

[Total 25 Marks]

“Laws and rules have been violated and individuals have given priority to their own interests rather than to the interests of shareholders and the common good. Talking about failures in corporate governance in Zimbabwe, what comes to mind are parastatals which at one point used to contribute about 50 percent of the gross domestic product but are no longer able to do so because they have over the years failed to deliver due to poor internal control systems and absence of sound business ethics”. **(Statement attributed to John Mangudya (2015), RBZ Governor).**

Do you think the proposed Zimbabwe National Governance Framework will improve corporate governance in parastatals if adopted? Discuss. **[25 Marks]**

QUESTION 5

[Total 25 Marks]

A business must be ‘**entrepreneurial**’ in order to succeed and entrepreneurship means having to take business risks.

Discuss this statement with reference to the board’s contribution in managing risks.

[25 Marks]

QUESTION 6

[Total 25 Marks]

(a) With reference to a company of your choice in Zimbabwe, demonstrate how that company has managed to meet the diverse needs of various stakeholders (Corporate Social Responsibility) while maintaining a strong financial position.

[20 Marks]

(b) Discuss problems that have prompted corporations to engage corporate social responsibility (CSR) in Zimbabwe.

[5 Marks]

END OF EXAMINATION PAPER