



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



FACULTY OF COMMERCE
DEPARTMENT OF FINANCE

BACHELOR OF COMMERCE (HONOURS) FINANCE & FISCAL STUDIES
PART IV 1ST SEMESTER SUPPLEMENTARY EXAMINATION–MAY 2016
CORPORATE GOVERNANCE AND ETHICS [CFI 4107]

TIME ALLOWED: THREE (3) HOURS

INSTRUCTIONS TO CANDIDATES

1. Answer any **FOUR (4)** Questions
2. Write neatly and legibly.

INFORMATION TO CANDIDATES

1. This paper contains **SIX (6)** Questions.
2. **Questions** carry a total of **25 marks** each.
3. This paper contains **THREE (3)** printed pages.
4. Candidates may write on the question paper but shall not write in answer booklet during reading time.
5. The businesses in this question paper are intended to be fictitious.

Question 1

Explain the purpose of non-executive directors and discuss the advantages and disadvantages of NEDs in a listed company based on the unitary board structure.

[25 marks]

Question 2

Question 2

For each of the situations below, identify the ethical threats and recommend ethical safeguards, explaining why those safeguards are appropriate.

Situation A

AB is CEO of Company X and is also a non-executive director of Company Y and sits on the remuneration committee of that company. CD is CEO of Company Y and is also a non executive director of Company X and sits on the remuneration committee of that company. AB and CD are good friends and play golf together every Saturday.

[12.5 Marks]

Situation B

The chairman of Company Z does not like conflict on the board. When a new director is appointed, the chairman always ensures that the director's family members obtain highly paid jobs in the company, and in the case of children, that they are sponsored by Company Z through college. Company Z is very profitable, although the board appears to be ineffective in querying the actions of the chairman.

[12.5 Marks]

Question 3

(a) List and explain at least five (5) common unethical acts and practices in today's world.

[15 marks]

(b) What actions are you going to take to combat these unethical business practices that you have identified above?

[10 marks]

Question 4

Using Mendelow's Matrix, analyze the importance of the following stakeholders in any organization of your choice.

- a) The board of directors [5 marks]
- b) The trade unions to which the company workers belong [5 marks]
- c) The ruling party of the country [5 marks]
- d) The Environmental Management Agency of Zimbabwe [5 marks]
- e) Company Management [5 marks]

Question 5

Business must be entrepreneurial to succeed and entrepreneurship means having to take business risks. Discuss this statement with reference to the board's contribution in managing risks in companies they manage. [25 Marks]

Question 6

Evaluate the role of risk committee in ensuring that adequate risk management systems and the application of risk management practices are in place. [25 marks]

END OF EXAMINATION PAPER