



UNIVERSITY EXAMINATIONS: 2013/2014

EXAMINATION FOR THE MASTERS OF SCIENCE (MSC) IN COMMERCE

MEI 501 CORPORATE GOVERNANCE AND ETHICS (KITENGELA)

DATE: APRIL, 2014

TIME: 3 HOURS

INSTRUCTIONS: Answer Question One and Any Other Three Questions

QUESTION ONE

Corporate ethics and business

To enhance competitive and fair business practices internationally, several body corporates and business magnates have all along dreamed of an honest and level playing field where people follow the rule of law, do their jobs without seeking “kickbacks” and award contracts on merit rather than manipulation.

Kenya, which is widely reputed to be among the more corrupt places in the world, has recently taken several initiatives, such as the establishment of the Kenya Anti-Corruption Commission to lead the fight against unethical business practices especially in the public sector. Kenya has also embedded in its constitution a chapter on leadership and integrity as a way of entrenching transparency and accountability in leadership at all levels in public sector to ensure that the tax payers get value for the money they pay. Recently, a good number of people in the private sector have decided they will no longer tolerate continuing with corrupt business as usual as a way of playing their role in improving the business environment in Kenya.

Emerging economies such as Singapore and Malaysia have been reputed for faster economic and social growth due to strict adherence to ethical business practices that have attracted a substantial amount of

foreign direct investments that help spur growth. In the East African region Ruanda is setting the pace in terms of providing an enabling business environment that is turning out to be good for the country's economy and population at large. It is therefore not surprising that several government and private delegations are visiting these countries to benchmark on business practices.

However it is difficult for individuals or few corporates to successfully fight corruption. Thus there is need to mobilize a critical mass to clamor against this vice.

Required

- a) Why would ethical behavior be good for business in Kenya's public sector? Draw your illustrations from the case study. (11 Marks)
- b) Discuss at least five examples each of both good and bad business values/practices in Kenya's public sector. (20 Marks)

QUESTION TWO

“Stakeholders can, and should be principals enabling them to further their interests in the same way as shareholders” critically discuss this statement (23 Marks)

QUESTION THREE

A company's board of directors' has the primary responsibility of ensuring good corporate governance in the institution.

Required

- a) State three subcommittees of the board and explain the roles they play in achieving good corporate governance in an organization (13 Marks)
- b) Describe board independence and explain the importance of independent board members in corporate governance. (10 Marks)

QUESTION FOUR

Human capital is the most important asset in any organization and should therefore have the attention of any effective Board of directors.

Required

- (a) State five HR policies that the Board should ensure are in place. (10 Marks)

- (b) Discuss the details that should be contained in at least four of the policies stated. (13 Marks)

QUESTION FIVE

In the dynamic business world today organizations have to take a lot of business risks to sustain their earning. Enterprise risk management has therefore become an important function that the board focuses oversight on.

Required

- (a) What are the roles of the board in Risk Management? (8 Marks)
- (b) What actions should the board take in the risk management process to mitigate the risks that the organizations take? (15 Marks)

QUESTION SIX

Corporate social responsibility (CSR) is now gaining momentum for the companies relations with its stakeholders. This has led to some companies adopting the triple bottom line reporting.

Required

- a) Explain the triple bottom line reporting concept. (10 Marks)
- b) What factors should a company take into account before engaging in CSR activities to ensure that they sustain the CSR they are engaging in? (13 Marks)