



**MASINDE MULIRO UNIVERSITY OF  
SCIENCE AND TECHNOLOGY  
(MMUST)**

**MAIN CAMPUS**

**UNIVERSITY EXAMINATIONS  
2016/2017 ACADEMIC YEAR**

**SECOND YEAR SEMESTER TWO EXAMINATIONS**

**FOR THE DEGREE  
OF  
BACHELOR OF SCIENCE (ACCOUNTING)**

**COURSE CODE: BCA 222**

**COURSE TITLE: CORPORATE GOVERNANCE**

**DATE: Friday 22<sup>ND</sup> APRIL 2022      TIME: 8-10 AM**

**INSTRUCTIONS TO CANDIDATES**

Question ONE (1) is compulsory  
Answer FOUR (3) questions

**TIME: 2 Hours**

MMUST observes ZERO tolerance to examination cheating

This Paper Consists of 2 Printed Pages. Please Turn Over. ▲

**QUESTION ONE. (COMPULSORY 30 marks)**

(Read the passage on page and answer the questions that follow.)

- (a) In both agency theory and Trust theory for corporate governance, financial reporting by the agents or the fiduciary play a central role in ensuring full disclosure of the activities of the agent/fiduciary to the principals. However, financial reporting practice as a tool is broken and badly in need of repair. Identify instances in the passage where the reporting practice is said to have a problem. (15 marks)
- (b) The Cadbury committee of 1991 was primarily set up to investigate and make recommendations on the apparent loss of confidence in financial reports and the related audit assurance and the financial aspects of corporate governance. The committee made several recommendations relating to governance aspects of financial reporting. Briefly outline these recommendations and their purpose. (15 marks)

**QUESTION TWO**

- (a) A corporation as a business organization form is different from a partnership. Briefly outline the differences between two business organization forms
- (b) A corporation may be considered technically superior to a partnership. Briefly outline the advantages of a corporation over a partnership.

**QUESTION THREE**

Briefly explain the roles played the following officers of the board of directors to ensure Board effectiveness:

- (i) The Company secretary (4 marks)
- (ii) The non-executive directors (4 marks)
- (iii) The executive directors (4 marks)
- (iv) The Company Chief Executive Officer (4 marks)
- (v) Chairman of board (4 marks)

**QUESTION FOUR**

In continental Europe, Japan, and South and Central Americas, “family companies” play dominant economic role, relying more on bank finance rather than stock-market finance.

- (i) State and briefly explain corporate governance policies that may permit these companies to issue shares to the public (10 marks)
- (ii) What are the merits and demerits of family company IPO? (10 marks)