



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

MAIN CAMPUS

**UNIVERSITY EXAMINATIONS
2021/2022 ACADEMIC YEAR**

SECOND YEAR SPECIAL/SUPPLIMENTARY EXAMINATIONS

**FOR DEGREE
OF
BACHELOR OF SCIENCE IN ACCOUNTING**

COURSE CODE: BCA 222

COURSE TITLE: CORPORATE GOVERNANCE

DATE: MONDAY, 1ST AUGUST 2022

TIME: 2-4PM

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory
Answer ANY OTHER TWO questions

TIME: 2 Hours

MMUST observes ZERO tolerance to examination cheating

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

QUESTION ONE (30MARKS)

- (a) A corporate entity is a unique form of business organization quite different from sole proprietorship and partnership. Briefly outline:
- (i) The similarities and (3 marks)
 - (ii) The distinctive features between a corporation and partnership. (3 marks)
 - (iii) Explain why it may be considered to be superior in some aspects. (4 marks)
- (b) Agency conflict is the single greatest problem faced by a corporate entity. Briefly explain how agency conflict arises in a corporate entity and why it is a problem. **(6marks)**
- (c) Corporate governance theory suggests that corporate managers would require enforcement to ensure that the management pursue stakeholder objectives rather than self-interest. Outline and explain five ways by which corporate managers could be forced to shareholder wealth maximization rather than self-interest. (10 marks)
- (d) The continental European and Latin Americas show that family businesses offer superior corporate control compared to Anglo-Saxon experience of democracy of capitalism. Briefly explain the concept of family business and “family Business edge” **(4 marks)**

QUESTION TWO (30MARKS)

- (a) Briefly explain why it is prudent for a board of directors to form and discharge more business through committees as possible rather than conduct all its proceedings on the plenary **(8 marks)**
- (b) Identify four (4) committees recommended for board of directors and discuss their functions. **(12 marks)**

QUESTION THREE (20MARKS)

- (i) Identify and explain briefly five items that may constitute director’s remuneration **(5 marks)**
- (ii) It has been argued that directors’ remuneration should be sensitive to firm performance. To what extent is this true? **(6marks)**
- (iii) All aspects of directors and auditors remuneration should be quantified and disclosed on the financial reports for each individual director and auditor. Discuss this statement **(10marks)**

QUESTION FOUR (20MARKS)

- (i) According to corporate governance code, who is an independent director? (4 marks)
- (ii) Why should a company appoint independent directors **(6 marks)**
- (iii) Briefly explain how directors are appointed to the board of directors (5 marks)
- (iv) What is board of directors’ diversity? Why would anyone consider it as important **(5 marks)**