



BOTSWANA OPEN UNIVERSITY
In collaboration with
ZIMBABWE OPEN UNIVERSITY

Bachelor of Commerce
(Human Resources Management & Industrial Relations)

Corporate Governance
CG 232

Sessional Examination

Marks: 100

Time: 3 Hours

Instructions

1. The examination consists of **Four** sections: A,B, C and D.
2. Begin each answer to a new question on a new page.
3. Answer questions according to instructions given in each section.
4. Write answers in the answer booklet provided.
5. Write in grammatical English.

SECTION A- MULTIPLE CHOICE QUESTIONS

[10 MARKS]

Answer all questions. Each question carries ONE (1) mark.

Choose the best alternative answer.

1. Which of the following are not stakeholders of a corporate organisation?

- A. Competitor, company, customers.
- B. Competitor, company, shareholders.
- C. Contract employees.
- D. Consumer watchdogs.

2. Which of the following are not part of internal controls?

- A. Use of "unauthorised entry prohibited" signs.
- B. Clear organograms.
- C. Departmental meetings. ✓
- D. Separation of responsibilities. ✓

* 3. The board of directors reviews the existence and adequacy of the following except _____.

- A. Code of ethics
- B. Job profiles
- C. Marketing.
- D. Procedures.

4. Controlling the detection risk is the primary responsibility of the _____.

- A. Management.
- B. Auditor.
- C. CEO.
- D. Controller.



5. The cultural web is made of the following except _____.
- A. Stories, symbols, rituals, power structures.
 - B. Power structures, control systems, symbols, rituals.
 - C. Rituals, stories, symbols, organizational structures.
 - D. Symbols, ratings, power structures, stories.
6. Which audit deals with social clubs and church organisations?
- A. Management audit.
 - B. Systems audit.
 - C. Social audit.
 - D. Value for money audit.
7. _____ do/does not have an effect on the organisation in choosing its purpose in the operating environment?
- A. Culture. ✓
 - B. The business plan.
 - C. Corporate governance ✓
 - D. Stakeholders ✓
8. The primary responsibilities of the board of directors includes all of the following except _____.
- A. Appoint senior executives to manage the company in accordance with the established strategies, plans, policies, and procedures.
 - B. Make managerial decisions that will increase the company's stock price. ✗
 - C. Define the company's mission and goals.
 - D. Establish or approve strategic plans and decisions to achieve these goals.



9. The board committee with the responsibility of approving the company's policy for authorising claims for executive management's expenses including the CEO is the _____.
- A. Audit committee.
 - B. Nominating committee.
 - C. Compensation committee.
 - D. None of the above.
10. Which aspect of the human side of corporate governance deals with how individuals deal with their actions and thoughts?
- A. Interpersonal governance.
 - B. Personal governance.
 - C. Systematic governance. ✖
 - D. Intergroup governance. ✖

SECTION – B TRUE OR FALSE QUESTIONS

[10 MARKS]

Answer all questions. Each question carries ONE (1) mark.

State whether each of the following statements is TRUE or FALSE.

1. The Internal controls committee should consider the adequacy and effectiveness of accounting systems and the current internal controls.
2. Objectives can be inspirational and motivational to organisation members. This is more so if their performance achievements are linked to remuneration.
3. Shareholders have a responsibility to ascertain that all or the majority of organisation members accept the set objectives and that they are willing to co-operate in achieving them.
- * 4. A change in ownership structure can also occur when there is management buyout.
5. Good corporate governance calls upon organisational managers to be aware of what business they are in at any given point in time. Such awareness puts boundaries around and gives guidance on the nature of the business.
6. Differentiation strategies are strategies which seek to make the organisation unique in terms of dimensions which are greatly valued by buyers. The organisation must be different from its competitors. The aim for this focus is to achieve lower market share than competitors.
7. Corporate governance should be observed by management in their day-today operations. The organisational stakeholders should also play an active role in monitoring and ascertaining that good corporate governance prevails.
8. Corporate social responsibility or being socially responsible essentially means that an organisation tries to reconcile the interests of its different stakeholders with each other.
9. Market share growth is the primary concern of the shareholders of an enterprise, while consumers are mainly interested in quality products and affordable prices.
10. The Chief Executive Officer of an organisation should be generally responsible for managing the risk of reputation under his/her guidance.



SECTION C - SHORT ANSWER QUESTIONS

[30 MARKS]

Answer ALL questions in this section.

1. List the two reasons for the success of a low-price strategy according to Michael Porter. (4 marks)
2. Give three examples of social responsibility activities which are not “tokens” in nature, but real. (6 marks)
3. Explain any four expectations the Cadbury Committee-Code of Best Practices places on the Board of Directors. (8 marks)
4. Describe common conflicts of expectations between shareholders and managers of a business. (4 marks)
5. Explain any four elements of the system of internal controls. (8 marks)

*Development
design internet
Tighten controls
convert weaknesses
implement*



SECTION D – ESSAY TYPE QUESTIONS

[50 MARKS]

There are THREE questions in this section. QUESTION 1 IS COMPULSORY; answer any ONE question from question 2 and 3.

QUESTION 1

Read the case below and answer the questions that follow.

BOTSWANA FACES FINANCIAL RUIN AS KPMG ROW FESTERS

Botswana Government is crossing fingers that the South African authorities do not strip KPMG South Africa of its license.

Sunday Standard has turned up information showing that the government is monitoring investigations into the group's ties to the controversial Gupta family.

There are fears that should KPMG South Africa be stripped of its license, Botswana's economy could be crippled as the country's biggest banks, parastatals and big corporations in the private sector are audited by Botswana KPMG.

Sunday Standard can reveal that Botswana Accountancy Oversight Authority Board Chairperson Michael Lesolle and Chief Executive Officer Duncan Majinda recently held a meeting with Botswana KPMG authorities in an effort to 'appreciate' the envisaged impact of the scandal in Africa.

Majinda confirmed the meeting in an interview with Sunday Standard. He said the Office of the President, the Accountant General and financial institutions "were really worried that KPMG South Africa will have an impact on us because KPMG Botswana audits 70 percent of our banks."

The KPMG South Africa controversy was recently the subject of intense discussion and scrutiny within the government enclave and Office of the President as assurance and explanation was sought from relevant authorities.

KPMG South Africa came under heavy criticism in 2017, for the role it played in the audit of Linkway Trading, which was allegedly used to channel taxpayers' money to fund a lavish Gupta wedding in 2013.

The auditing sector regulator said if found guilty, the KPMG employee could face sanctions in terms of the Auditing Professions Act.

According to Majinda the Ministry of Finance had requested that it should be furnished with information on the allegations relating to KPMG scandal in South Africa.

"We had to explain to the Ministry of Finance and Development Planning as to what was happening to KPMG South Africa and KPMG Botswana. The Ministry was really concerned about the alleged scandal in South Africa," he said.

Majinda explained that should the South African authorities strip KPMG South Africa of their trading license this would also affect operations of KPMG worldwide.



He said many financial entities in Botswana were also enquiring about the alleged scandal in Africa because they provide audit services to a number of high profile entities in Botswana. Majinda added that “that is why I keep in touch with regulators in South Africa.” He further stated that “the Chairman and I went to KPMG Botswana. We sought to know what is it that we are hearing in the newspapers. They said they were also waiting for the outcome of the investigations as the allegations unfold. If they decide to close KPMG South Africa we are impacted. Banks are complex institutions; they will be impacted.” Majinda expressed fears that Botswana was sitting on a ticking time bomb. He explained that should South African authorities pull the plug on KPMG South Africa, “our country might explode. If they close KPMG South Africa then it becomes a problem for us.” He said “no matter how good KPMG here is, if KPMG South Africa closes down, there is nothing they can do because they are not independent of the KPMG across the world and my concern is the magnitude of impact of KPMG in the financial arena.” When asked to comment on reports that Botswana KPMG was also facing allegations of misconduct, Majinda said they were keeping tabs on the issue as it unfolds. However, he said they could not investigate the alleged misconduct because the complainant chose to approach the courts seeking redress. Last year there was panic at the government enclave following reports that liquidator, John Little was accusing KPMG Botswana of misconduct in signing off the books of Kingdom Bank Africa Limited (KBAL) which is currently under liquidation and has filed a law suit of close to P200 million against the audit firm on behalf of creditors.

Source: Mmegi Online, 11 Mar 2018

Required:

- a. Identify and explain three corporate governance issues in the case. **(5 marks)**
- b. List and explain six responsibilities of external auditors. **(12 marks)**
- c. Explain fully, four ways in which the internal auditor can be influenced in an organisation as they try to carry-out their mandate? **(8 marks)**

*openness (fair representation)
fairness
honesty*

QUESTION 2

- a. Explain the meaning and significance of the statement “the board has to ensure that the auditor is properly resourced”. **(5 marks)**
- b. Explain three elements that are important for an auditor to execute their duties well. **(6 marks)**
- c. Explain the concept of independence as pertains to the auditor. **(4 marks)**

*resources
authority*



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d. List and explain five responsibilities of internal auditors in financial risk management.

(10 marks)

QUESTION 3

Critically discuss five strategic management roles of the board. Give practical examples.

(25 marks)

END OF EXAMINATION