BOTSWANA COLLEGE OF DISTANCE AND OPEN LEARNING

In collaboration with

ZIMBABWE OPEN UNIVERSITY

BACHELOR OF COMMERCE

HUMAN RESOURCE MANAGEMENT & INDUSTRIAL RELATION

CORPORATE GOVERNANCE

CG-232

SESSIONAL EXAMINATION

Marks – 100

TIME ALLOWED: 3 HOURS

Instructions to candidates:

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 legibly in grammatical English.

SECTION A - MULTIPLE CHOICE QUESTIONS [25 MARKS]

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

Choose the best alternative answer.

1. Corporate governance involves the determination of__________________ for an organization towards its various stakeholders.

A. Goals

B. Demanded requirements

C. Minimum obligations

D. Responsibilities

2. Johnson G. and Scholes K. (1977) emphasized that organizational culture consists of the following three layers with the exception of ________________________________.

A. Taken for granted assumptions

B. Attitudes

C. Beliefs

D. Values

3. Good ethical behaviour is the behaviour which abides by the following except _________________.

A. Principles

B. Norms

C. Competitive business models

D. Sards of business practice

4. ______________________is a counter measure against risk associated with transferring risk.
   A. Controls
   B. Insurance
   C. Removing company form risk situations
   D. Relocation

5. Complexity of the organisation operation, its position within the overall management of the organization, and its strategic importance to the firm is a factor considered in assessment of__________________.
   A. Profitability
   B. Sustainability
   C. Risk
   D. Productivity

6. Management must perceive objectives as__________________.
   A. Finishing point
   B. Goals
   C. Starting Point
   D. Plans

7. Strategies of low price might be successful in the following scenario__________________.

   A. When you obtain expensive raw material
   B. High cost producer
   C. Competitive low cost base
   D. Market monopoly

8. In view of social responsibility, tussle between profit maximization goal of business owners and consumers' interest in quality products and affordable prices represent__________________.
   A. Dilemma
   B. Quandary
   C. Contradictory interests
   D. Competitive advantage

9. The following are organizational activities which are part of the rituals except__________________.
   A. Training programmes
   B. Interview panels
   C. Monopolist Production
   D. Assessment procedures

10. ____________________ is the risk of a party losing the full value of a transaction which may result from a delay between payment and the transfer of ownership of securities to the purchaser.
   A. Principal Risk
   B. Transaction Risk
   C. System Risk
   D. Market Risk

SECTION B – [10 MARKS]

TRUE/FALSE QUESTIONS

Answer ALL questions.

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

1. Corporate governance refers to the act of governing an organization by senior management generally known as Governing Council.
2. Managers are at the centre of creating integrity in organizations and should completely adhere to a code of ethical values but should not compromise their personal values for the sake of attaining organizational integrity.
3. Thompson Arthur A. and Strickland A.J. (1995) said, "An organization's policies, practices, traditions, philosophical beliefs, and ways of doing things combine to give it a good image among competitors.
4. McGregor (2000) observed that the function of corporate governance is to rule, lead, and maintain structures and systems and monitor performance.
5. Women tend to be more aware of emotions and find it easier to express and deal with feelings than men do which brings the right kind of balance for effective decision-making.
6. Many companies are not considering adopting global expansion strategies because of cost reduction, improved quality, better ability to meet customer needs and increased competitive leverage.
7. The purposes an organization should fulfil are largely influenced by ethical considerations and the considerations mainly focus on good corporate governance.
8. When developing a mission, management should consider the environmental trends that could influence such a mission.
9. Price-based strategies are the cheap and cheerful options which entail reducing price and perceived added value.

10. Good corporate governance calls upon organization managers to be aware of what business they are in at any given point in time .

SECTION C- SHORT ANSWER QUESTIONS [30 marks]

Answer all questions in this section

1. Define corporate social responsibility **(2 marks)**
2. List any four social responsibility initiatives an organisation can implement **(4 Marks)**
3. All leaders have the potential to use or abuse power with the aid of an example explain the human side of Corporate Governance **(6 Marks)**
4. In your own words define Corporate Governance **(2 Marks)**
5. Compare and contrast the roles and responsibilities of internal and external auditors in an organisation **(8 Marks)**
6. Differentiate between systematic governance and intergroup governance **(4 Marks)**
7. Describe the significance of corporate objectives to an organisation **(4 Marks)**

→ guide - why we exist
→ A measure of performance
→ Argument

35
18
33

SECTION D Essay- Type Questions **[50 MARKS]**

Answer any TWO questions from this section

QUESTION 1 **[25 marks]**

Read the following and answer the questions that follow.

ORGANISATIONAL CHAIN OF GOVERNANCE

The chain of command principle is ancient, but its application to the management of organizations was only systematized in the twentieth century. In many organizations dis days, the chain of command principle is still very much alive. The manager's status is that of the deliverer of orders, and the employee enacts them under the monitoring of the manager. Both parties share responsibility for achievements. But communication provides the underpinnings of this relationship. The discussions and meetings contact managers and their subordinates have may improve or harm the effectiveness of the direct report relationships in the chain of command.

A problem associated with the chain of command may occur when a subordinate bypasses a manager in either the giving of information or the requesting of a decision. This act undermines the authority and position of the manager who is bypassed. If this practice is allowed to continue in a bureaucratically-organized company, morale of the managers will decline. The urgency and frequency of these situations may, of course, mitigate the impact and inappropriateness of such contacts.

With the rapidly-changing environment and increasing uncertainty that organizations face in the twenty-first century, some adopt structures that emphasize flexibility and quick response to change. These types of organizations attempt to place decision-making authority in the organizational structure with those who can most effectively and efficiently respond to environmental imperatives. Thus, these organizations may have flatter hierarchies and communication and decision-making patterns that do not fully adhere to the chain of command or unity of command principles. In the case of matrix organizations, employees frequently have two managers or supervisors, violating the unity of command and chain of command principles. To be effective, individuals working in these organizations learn to share power, use open confrontation to resolve issues, and to utilize all directions in the organization to disseminate information. These more organic structures are not rigidly bound to the chain of command principle, although it is still an important organizing principle in most organizations.

a. With the aid of an example, clearly illustrate and discuss a detailed chain of governance of an organisation **(20 Marks)**

b. From the case study above identify and explain challenges posed to an organisation by a chain of command **(5 Marks)**

QUESTION 2 (25 Marks)

Read the following and answer the questions that follow.

CORPORATE GOVERNANCE AND BANKING REGULATION

The role of banks is integral to any economy. They provide financing for commercial enterprises, access to payment systems, and a variety of retail financial services for the economy at large. Some banks have a broader impact on the macro sector of the economy, facilitating the transmission of monetary policy by making credit and liquidity available in difficult market conditions. The integral role that banks play in the national economy is demonstrated by the almost universal practice of states in regulating the banking industry and providing, in many cases, a government safety net to compensate depositors when banks fail. Financial regulation is necessary because of the multiplier effect that banking activities have on the rest of the economy. The large number of stakeholders (such as employees, customers, suppliers etc), whose economic well-being depends on the health of the banking industry, depend on appropriate regulatory practices and supervision. Indeed, in a healthy banking system, the supervisors and regulators themselves are stakeholders acting on behalf of society at large. Their primary function is to develop substantive standards and other risk management procedures for financial institutions in which regulatory risk measures correspond to the overall economic and operational risk faced by a bank. Accordingly, it is imperative that financial regulators ensure that banking and other financial institutions have strong governance structures, especially in light of the pervasive changes in the nature and structure of both the banking industry and the regulation which governs its activities.

The main characteristics of any governance problem is that the opportunity exists for some managers to improve their economic payoffs by engaging in unobserved, socially costly behaviour or "abuse" and the inferior information set of the outside monitors relative to the firm. These characteristics are related since abuse would not be unobserved if the monitor had complete information. The basic idea – that managers have an information advantage and that this gives them the opportunity to take self-interested actions – is the standard *principal-agent* problem. The more interesting issue is how this information asymmetry and the resulting inefficiencies affect governance within financial institutions. Does the manager have better information? Perhaps the best evidence that monitors possess inferior information relative to managers lies in the fact that monitors often employ incentive mechanisms rather than relying completely on explicit directives alone.

a. In order to achieve sound corporate governance in a bank, describe the significance of the following:

i. The Appointment of Right Policymakers **(5 Marks)**

ii. The Appointment of Board of Directors **(5 Marks)**

iii. The Board Composition and their responsibilities **(5 Marks)**

iv. The Role of the Board **(5 Marks)**

b. List any five substantive standards and other risk management procedures for financial institutions known to you: **(5 Marks)**

QUESTION 3 **(25 marks)**

Read the following and answer the questions that follow.

BARCLAYS BANK AUDIT SYSTEM

The Institute of Internal Auditors defined internal audit as a system aimed at assisting members of an organization in the effective discharge of their responsibilities. To this end, internal auditing furnishes the members with analyses, appraisals and recommendations concerning the activities reviewed. Emerging trends in the banking sector due to globalisation, liberalisation, increasing environment complexity, regulatory requirements & accountability is driving banks in Botswana to adopt & implement technology driven solutions to manage a structured approach to governance, risk & compliance initiatives. Management requires accurate information on risk assessments, effectiveness of controls & regulatory compliance to efficiently manage banking operations. It is becoming increasingly essential to implement technology driven solutions to manage & provide critical information on audit & assurance initiatives. Barclays Bank, a large private sector bank with global operations, has implemented large technology based solutions for various business needs. They were in need of an effective integrated system for their Internal Audit Department (IAD), and their business requirement was for an 'end-to-end' integrated technology solution for risk based internal audit management. The bank implemented Pentana Audit Works System (PAWS), Retain Resource Planner through Pentana Ltd and AUDITime Information Systems (I) Ltd for consulting and implementation of services.

a. Identify the internal audit method adopted by Barclays Bank and discuss its benefits **(10 Marks)**

b. Compare and contrast the 5 methods of auditing which Barclays Bank could utilise **(15 Marks)**

END OF EXAMINATION