



**SCHOOL OF COMPUTING AND ENGINEERING SCIENCES
BACHELOR OF INFORMATICS AND COMPUTER SCIENCE
END-OF-SEMESTER EXAMINATION
CNS 4202 CORPORATE GOVERNANCE & PROFESSIONAL ETHICS**

DATE: 18th December 2023

Time: 15:30-17:30

Instructions

1. This examination consists of **FIVE** questions.
2. Answer **Question ONE (COMPULSORY)** and any other **TWO** questions.

SECTION 1:

ANSWER QUESTION 1:

Molandi Limited is locked in a fresh family feud over ownership of the giant wholesaler and proceeds from the sale of a minority stake to a consortium of investors for Sh10 billion. Naman Kulandi, the eldest of the three brothers who since 2010 have been fighting a bruising battle for control of Molandi Limited, has renewed his fight over the wholesaler in a row that has seen the High Court block further stake sales in the firm.

Mr Kulandi sought the ouster of his brother, Davida Tamandi, as CEO of Molandi Limited, a seat on the board of the retailer, a 20 per cent stake and additional shares from the 20 per cent stake held by his father, the late Mineban Molandi. He also petitioned the court to freeze further share sales in Molandi and for a deposit of Sh10 billion, which a consortium of investors paid for a 40 per cent stake in the wholesaler in an interest-earning joint account. Mr Kulandi reckons that he is entitled to a 25 per cent stake worth Sh5 billion from his seed capital that established Mulandi Limited and the inheritance of his father's stake.

The businessman is challenging a High Court ruling of 2017 that found he had no stake in the retail chain after the judge said he ran down all the stores he inherited from his father. His brothers have previously termed him a stranger to the wholesaler in a dispute that echoes that of Tuskys Supermarkets where a family feud has in part led to the near collapse of the store.

(Adapted from a Business Daily Africa article, published MONDAY DECEMBER 06 2021).

Required:

- i) Discuss four factors that makes a family businesses unique compared to non-family businesses. **(8 marks)**
- ii) Discuss the strengths and weaknesses of a family business providing examples from the Mulandi Limited example above. **(6 Marks)**
- iii) Using the Molandi example discuss the reasons why good corporate governance is needed for the sustainability of the family business. **(6 Marks)**
- iii) To avoid future conflicts that might threaten the survival of the business, Mulandi directors need to establish governance institutions. Advise the directors on five family business governance institutions they can adopt elaborating on the merits and demerits. **(10 marks)**

SECTION 2: ANSWER TWO QUESTIONS ONLY (20 MARKS EACH)

QUESTION 2:

Malibu Trading Limited are in the process of constituting a board and hiring a company secretary to improve its corporate governance mechanisms as it prepares for an Initial Public Offering (IPO) that will see it listed in the Nairobi Stock Exchange set for 2028. The Executive Management has asked you to prepare a presentation to enable them to make appropriate decisions for the company in the following areas.

- i) Discuss the differences between a listed company and one not listed and advise the executive board on the merits and demerits of listing in the Nairobi Stock Exchange. **(5 Marks)**
- ii) Discuss the duties and responsibilities of the shareholders of Malibu Trading Limited. **(5 Marks)**
- iii) Advise Malibu Trading Limited Executive directors on the best practices for appointing an effective board of directors. **(10 Marks)**

QUESTION 3:

Sabelo Mechanics Limited is considering ways of enhancing its corporate governance to practices and mechanisms in line with the requirements of the Nairobi Stock Exchange.

- i) Discuss five principles of Good Corporate Governance that the board should adopt and their significance. **(10 Marks)**
- ii) Critically evaluate five Corporate Governance Theories and recommend one that Sabelo Mechanics Limited can Align to enhance their corporate governance practices. **(10 Marks)**

QUESTION 4

- i) Briefly explain the principle of the 'Apply or explain' approach as adopted in the Kenya Corporate Governance Act 2015 and contrast it with the 'comply or explain'. **(3 marks)**
- ii) Briefly, explain the differences between 'independent director' and 'non-executive director'. **(4 marks)**
- iii) Critically evaluate the role of corporate governance from a 'societal perspective' and use examples to elaborate your answer. **(5 marks)**
- iv) Discuss four differences between 'Shareholder Primacy and 'Stakeholder Primacy' providing the merits and demerits of each approach. **(8 Marks)**

QUESTION 5

- i) Discuss five reasons why good professional ethics practices are relevant in the workplace using relevant examples. **(10 Marks)**
- ii) Babsonica Holdings Limited have recently been admitted to the United Nations Global Compact Programme. The company has hired you as a Business Ethics Manager to set up a business ethical framework to promote good practices and ethical behaviour within their various businesses. Discuss ten universally acceptable principles and explain the benefits they will bring to Babsonica Holdings Limited's performance. **(10 Marks)**