



MACHAKOS UNIVERSITY

University Examinations for 2022/2023 Academic Year

SCHOOL OF BUSINESS, ECONOMICS AND HOSPITALITY AND TOURISM
MANAGEMENT

DEPARTMENT OF BUSINESS ADMINISTRATION AND FINANCE

THIRD YEAR SECOND SEMESTER EXAMINATION FOR
BACHELOR OF COMMERCE (FINANCE OPTION)

EAE 314: FINANCIAL ETHICS

DATE:

TIME:

INSTRUCTIONS

Answer question one and any other two questions

Question One (compulsory) (30 marks)

- a) One of the objectives of corporate governance should be to provide enough satisfaction for each stakeholder group.
Identify five such stakeholder groups, and explain what their interests would be, that needs to be satisfied. (10 marks)
- b) Explain and explore the nature of the principal- agent relationship in the context of corporate governance. (10 marks)
- c) Explain ways in which Agency conflicts that may arise in companies between the owners of the company and managers. (10 marks)

QUESTION TWO (20 MARKS)

- a) Explain the composition of the unitary board of major companies in many countries (10 marks)

- b) Outline the circumstances under which a director may be considered as not independent, according to the UK Combined Code. (10 marks)

QUESTION THREE (20 MARKS)

- a) Explain and explore social responsibility in the context of corporate governance (10 marks)
- b) Explain and assess how internal controls underpin and provide information for accurate financial reporting (10 marks)

QUESTION FOUR (20 MARKS)

- a) Certain key issues in corporate governance establish how well or badly a company is governed. Explain the main areas that should be addressed in corporate governance. (10 marks)
- b) Explain ways in which Agency conflicts that may arise in companies between the owners of the company and managers. (10 marks)

QUESTION FIVE (20 MARKS)

- a) Explain the advantages of a unitary board (8 marks)
- b) Compare the roles of the chief executive officer of a company with the roles of the company chairman (board chairman). (12 marks)