



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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MAIN EXAMINATION

MAY – JULY 2016 TRIMESTER

FACULTY OF COMMERCE

MBA REGULAR / EVENING PROGRAMME

CMM 610: CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

Date: JULY 2015

Duration: 3 Hours

INSTRUCTIONS: Answer ALL Questions

- Q1. Read the attached case study (Dialling for votes: The PCCW privatization scandal) and answer the questions that follow.
- a) What is the “agency” problem typically confronting companies like PCCW with a controlling shareholders? **(3 marks)**
 - b) To what extent is there a separation between shareholders, the board and management in PCCW? How might this have contributed to the near success of the privatization plans? **(5 marks)**
 - c) Consider how PCCW’s failed privatization illustrates the effectiveness or ineffectiveness of key corporate governance mechanisms. **(5 marks)**
 - d) In major corporate transactions, such as the PCCW privatization, different shareholders may have different interests and preferences. How should the board and regulators balance the interests of these different shareholders? **(6 marks)**
 - e) The privatization of PCCW requires the approval of 75 percent of shareholders (or their proxies) present at the shareholders meeting. In your view is this fair to small shareholders? How about large shareholders? **(6 marks)**

- f) Did the board and management of PCCW act ethically in the privatization attempt? **(5 marks)**
- Q2. Discuss the principles of corporate governance clearly showing how they have influenced corporate governance in Kenya corporate, Give relevant examples to illustrate your answers. **(20 marks)**
- Q3. Discuss the theories of corporate governance clearly showing how they have contributed to good governance in Kenyan corporates. **(20 marks)**
- Q4. Discuss the following terms as used in corporate governance. In each case give a specific relevant example.
- i Conflict of interest **(5 marks)**
 - ii Corporate governance **(5 marks)**
 - iii Insider trading **(5 marks)**
 - iv Fair competition **(5 marks)**
- Q5. Discuss the advantages and disadvantages of engaging in corporate social responsibility. **(20 marks)**

END