



Module code: **MBAA 811**
BLCG 511

Method of delivery: **Part-time Centres**

Date: **30/05/2018**

Type of assessment: **Exam 1st opportunity**

Exam paper number: **1**

Session: **9:00**

Duration: **4**

Module description:

Room:

CORPORATE GOVERNANCE

(1) Combined Afrikaans/English exam paper		(2) Exam paper for a specific language		
Number of students:	170	Afrikaans	English	Other language
Number of students:		0	0	0

Necessities for the exam paper		Number per student	Necessities for the exam paper		Number per student
Answer scripts	X	4	Multi-choice cards (A5 – 40 questions)		
Attendance slips (Fill-in paper)			Multi-choice cards (A4 – 115 questions)		
Scrap paper			Graph paper		

Is there an appendix?	No	If Yes give a short description:	
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NB: Exam Section does not check content or page numbers of appendices.

Resources e.g. Dictionaries, calculators, etc.:

TEXT BOOKS	YES	NOTES	YES
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Submission of answer scripts:	Ordinary
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Examiner(e):

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Cell nr.: **083 430 1910**

Signature

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Moderator:

(1) **PROF. RONNIE LOTRIET** Ext.: **1419**

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External Moderator:

(1) Cell nr.:

Secretary/Coordinator of School/Person who collects the exam papers for distance:

(1) **WILMA PRETORIUS** Ext.: **1419**



Requirements for this paper:/Benodigdhede vir hierdie vraestel			Resources/Hulpmiddels	
Answer scripts:/ Antwoordskrifte	☒	Multi-choice cards (A5):/ Multikeusekaarte (A5)	☐	TEXT BOOKS/ HANDBOEKE
Attendance slips (Fill-in paper):/ Presensiestrokies (Invulvraestel)	☐	Multi-choice cards (A4):/ Multikeusekaarte (A4)	☐	NOTES/ NOTAS
Scrap paper:/ Rofwerkpapier	☐	Graph paper:/ Grafiekpapier	☐	

Type of Assessment/ Tipe Assessering:	Exam 1st opportunity Eksamen 1e geleentheid Exam Paper/Vraestel 1	Qualification/ Kwalifikasie:	MBA / PGDM
Module code/ Modulekode:	MBAA 811 & BLCG 511	Duration/ Tydsduur:	4 hour(s) uur/ure
Module description/ Module beskrywing:	CORPORATE GOVERNANCE KORPORATIEWE REGEERKUNDE	Max/ Maks:	100
Examiner(s)/ Eksaminator(e):	MR PIETER GREYLING	Date/ Datum:	30/05/2018
Moderator:	PROF. RONNIE LOTRIET	Time/ Tyd:	9:00

INSTRUCTIONS: ANSWER ALL FIVE QUESTIONS

QUESTION 1 [20]

"However, if management was the focal point for the 20th century, corporate governance is said to be the primary focus for the 21st. Almost all advanced and advancing economies have introduced corporate governance codes or enacted new disciplinary laws as in the United states following the Enron debacle"
(Tricker: Corporate Governance)

Why does corporate governance matter? Substantiate your answer with actual events or occurrences as examples. Also explain the difference between corporate governance and management.

QUESTION 2 [20]

"Corporate Governance has only relatively recently come to prominence in the business world. The term 'corporate governance' and its everyday use in the financial press is a new phenomenon of the last 20 years or so. However, the theories underlying the development of corporate governance and the areas encompassed dates from much earlier and are drawn from a variety of disciplines including finance, economics, accounting, law, management and organisational behaviour."
(Mallin CA: Corporate Governance)

Critically discuss the main theories that have influenced the development of corporate governance. Make use of practical examples or events to substantiate your argument.

QUESTION 3**[20]**

“Institutional investors have the responsibility to vote the shares in the investing companies.”

Critically discuss this statement. In your answer you must also make references to mechanisms and tools at the disposal of the institutional investor.

QUESTION 4**[20]**

CHOPCHOP Ltd, a large manufacturing company, wishes to appoint a number of non-executive directors to the Board. In doing so they wish to comply with the recommendations of King VI. The existing board is made up as follows:

<i>Chairman and Chief Executive Officer</i>	<i>Hulk Hogan</i>
<i>Financial Director</i>	<i>Mike Tyson</i>
<i>Production Director</i>	<i>Morgan Freeman</i>
<i>Sales and Marketing Director</i>	<i>Robert Redford</i>
<i>Operations Director</i>	<i>Clint Eastwood</i>
<i>Non Executive Director</i>	<i>Thandie Newton</i>

Thandie Newton represents her uncle Fred Newton who has a 28% shareholding in CHOPCHOP Ltd. Fred Newton has the largest single holding in CHOPCHOP Ltd. The following individuals are being considered for appointment:

<i>Leonardo de Caprio</i>	<i>A prominent local businessman who is active in community projects.</i>
<i>Al Pacino</i>	<i>A recently retired engineer who had on the odd occasion been consulted by CHOPCHOP Ltd.</i>
<i>Julia Roberts</i>	<i>A chartered accountant and stepdaughter of Mike Tyson</i>
<i>Wesley Snipes</i>	<i>The senior partner of CHOPCHOP's auditors.</i>
<i>Jackie Chang</i>	<i>The company's legal advisor since the company's inception.</i>
<i>Tom Hanks</i>	<i>A consultant in CHOPCHOP's line of business who has no business relationship with CHOPCHOP Ltd.</i>
<i>Sean Penn</i>	<i>A businessman and chairman of the local Chamber of Commerce.</i>
<i>Kevin Spacey</i>	<i>The owner of a small business which supplies CHOPCHOP Ltd. with a number of components used in their manufacturing process. Spacey's business is one of ten small businesses which supply CHOPCHOP Ltd as a part of the company's social and business development initiatives. CHOPCHOP is his major customer.</i>
<i>Whoopi Goldberg</i>	<i>The recently retired senior public relations manager at CHOPCHOP Ltd. This is a senior executive role.</i>

Prepare a memorandum for Hulk Hogan in which you:

- 4.1 Advise him of the recommended practices as set out in King IV and how it differs from King III in respect of board composition;

- 4.2 Advise him how the board should be reconstituted to satisfy the recommendation of King IV. Your answer should indicate whom of the individuals should be appointed and re-appointed. Motivate your choices;
- 4.3 Comment on the appropriate committees that must be introduced.
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QUESTION 5

[20]

The use of child labour by multi-national companies in their factories in the Third World to produce cheaply the products that sell in Western markets became an international issue in the 1990's and the first decade of the new millennium. The United Nations Convention on the Rights of the Child and the International Labour Organization's Declaration of Fundamental Principles and Rights at Work (United Nations, 1989), condemns the use of child labour. Nike in particular has been the subject of public campaigns against its labour practices in South East Asia.

Although the issue has been high on the agenda for many years, problems still occasionally emerges. In 2007 a 10-year old boy was filmed in India by The Observer newspaper making clothes for the fashion chain GAP. The newspaper was told that the boy had been sold to the factory owner by his family in payment of debt; that he has worked without payment for four months and will not be allowed to leave the work until his family's debt has been paid off.

GAP has a Code of Vendor Conduct which states in relation to child labour, those factories who supply goods for GAP:

- *Will employ only workers who meet the applicable minimum legal age requirement or are at least 14 years old, whichever is the greater and*
- *Must maintain official records that verify the workers' dates of birth.*

Once the company became aware of the problem, it investigated and discovered that the vendor has subcontracted the production of a particular garment to an unauthorized subcontractor (contrary to the Vendor Code).

- 5.1 Discuss the use of child labour in factories in developing countries from two different ethical perspectives (you may choose between virtue ethics, Kantian ethics or utilitarianism).
- 5.2 What action do you think Gap should take in this particular instance? Also give attention to the merchandise that was produced under these circumstances.

TOTAL/TOTAAL: 100

File reference: 8.1.7.2.2