



# MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

P.O. Box 972-60200 – Meru-Kenya

Tel: +254(0) 799 529 958, +254(0) 799 529 959, + 254 (0) 712 524 293,

Website: [info@must.ac.ke](mailto:info@must.ac.ke) Email: [info@must.ac.ke](mailto:info@must.ac.ke)

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## University Examinations 2023/2024

FIRST YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE MASTER OF  
SCIENCE IN FINANCE

### BFS 5104: CORPORATE GOVERNANCE AND VALUE CREATION

DATE: APRIL 2024

TIME: 3 HOURS

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INSTRUCTIONS: Answer question *one* and any other *two* questions

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#### QUESTION ONE (24 MARKS)

Mwendandu is an indigenous multinational mining company which undertakes a wide range of mining projects around the world. Mwendandu has to work with many other organisations and governments agencies in order to manage pollution and protection of the environment. Mwendandu's mission statement states that 'The basis of our company is built on the values of conducting business in a socially responsible and ethical manner. We respect the law, protect the environment and embark on developmental projects in the community.' Mwendandu's values are included within its Ethical Code of Conduct. Mwendandu places high emphasis on its ethical and sustainable business practices. It involves employees, suppliers, and the members of local communities in which it operates in its strategic management processes. All these stakeholders are fully trained by Mwendandu in the Ethical Code of Conduct and they are expected to adhere to it.

#### Required:

- a) Discuss four importance to Mwendandu for incorporating business ethics and sustainability into its strategic management activities. (8 marks)

- b) Explain four different organization environments which Mwendandu company interact with (4 marks)
- c) Analyze four principles of good corporate governance company seeks to promote (4 marks)
- d) Evaluate four elements which Mwendandu Board of directors are responsible for ensuring assessment of the internal control system and risk management (8 marks)

### **QUESTION TWO (12 MARKS)**

Redix Company, a relatively new company, is in the business of designing and building farm equipment and machinery. Whilst it has been successful in its first few years of operation, sales are now in decline as competition in the industry has intensified and there is greater rivalry between the competing organisations. A review undertaken by consultants has recommended that in order to gain sustained competitive advantage, the company needs to establish the basis on which it can compete more effectively against its rivals in the future.

#### **Required:**

- a) Describe the concept of competitive advantage and include references to the different bases Redix Company could use to achieve competitive advantage. (4 marks)
- b) An introduction of a new technology is an introduction of a new business. This is a statement of fact and evidence abounds in many African economies. The introduction of mobile phones came with space-to-space business and eventually gave rise to mobile money services.

#### **Required:**

Using Porter's Five Forces model, identify four competitive forces that influence the state of competition in the mobile money industry and the profit potential of the industry as a whole.

(8 marks)

### **QUESTION THREE (12 MARKS)**

- a) Stakeholder theory state that company owes responsibility to a wider group of stakeholders, other than just shareholders. Illustrate six different stakeholders interest managers must take into consideration making decisions in a company (6 marks)
- b) With relevant examples discuss six benefits for an organization with best practices in corporate social responsibility (6 marks)

**QUESTION FOUR (12 MARKS)**

- a) Explain four reasons for a strong commitment to ethical values in an organization (8 marks)
- b) Discuss four basic skills of strategic implementation in an organization (4 marks)

**QUESTION FIVE (12 MARKS)**

The regulatory governance framework in Kenyan mandate the directors of a company obligations towards the shareholders. With relevant example discuss the duties or obligations of every business enterprise toward six shareholders (12 marks)