



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF LAW, BUSINESS INTELLIGENCE AND ECONOMICS

DEPARTMENT OF ECONOMICS, MARKETING AND ENTREPRENEURSHIP

EXAMINATION PAPER

MODULE CODE : CBM412
MODULE TITLE : Corporate Governance
DURATION : 3 Hours
LEVEL : 4.1
DATE : 10 APR 2025

INSTRUCTIONS TO CANDIDATES:

Answer **Section A** question 1 **Compulsory**

1. Answer any **Three (3)** questions from **Section B**
2. The number of marks for each question or part question is shown in brackets []
3. No cell phones are allowed in the examination venue.
4. Begin each answer on a new page.
5. **DO NOT OPEN THIS PAPER UNTIL THE INVIGILATOR INSTRUCTS YOU.**

SECTION A

QUESTION ONE

The **Willowvale Scandal** (also known as the Willowview Scandal) is one of Zimbabwe's significant corporate governance scandals, primarily involving **Willowvale Motor Industries**, a state-owned vehicle manufacturing company. The scandal came to light in the early 2000s and revolved around widespread corruption, mismanagement, and fraudulent activities within the company. Senior officials and managers at Willowvale were accused of misappropriating company funds. They were involved in the fraudulent sale of vehicles to individuals, with the intention of benefitting personally through the underreporting of the value of the vehicles and other misdeeds. Some of the directors and senior employees were implicated in deals where their personal interests conflicted with the best interests of the company. This lack of independence within the management and board led to a series of decisions that were financially damaging to Willowvale. The scandal involved the falsification of financial records, which enabled key executives to enrich themselves. There were allegations of inflated vehicle sales and ghost transactions. Vehicles that were reported as sold were sometimes found to be kept by employees or diverted to private sales channels. The scandal also had political overtones as it was revealed that some politicians had close ties to those involved in the corruption, and they were allegedly protecting these activities to ensure their own personal financial gain.

- a) Critically analyze the corporate governance failure at Willowvale Motors Limited and recommend measures that can be adopted to avoid recurring problems in Zimbabwean organisation. **[15 marks]**
- b) How do the principles of Agency Theory help explain the relationship between shareholders and managers in this context? **[10 marks]**

SECTION B

QUESTION TWO

The ZESA (Zimbabwe Electricity Supply Authority) scandal refers to corruption, mismanagement, and financial irregularities within Zimbabwe's state-owned power utility.

ZESA has long struggled with financial and operational inefficiencies, but the scandal, which came to light in the 2000s and 2010s, particularly raised concerns about the lack of proper governance and oversight. ZESA faced allegations of gross financial mismanagement, including the misuse of funds meant for power generation and infrastructure development. There were claims of inflated procurement contracts for power equipment, which were either substandard or unnecessary. Some ZESA officials were implicated in corrupt procurement practices, where tenders were awarded to companies with questionable track records or to firms owned by friends or relatives of the management. These corrupt practices resulted in overcharging and poor-quality service delivery, which exacerbated Zimbabwe's energy crisis. The lack of effective governance was a major issue in the ZESA scandal. The board of directors and senior management were either unable or unwilling to intervene in corrupt practices, and there was a lack of transparency in the decision-making processes. The scandal also had a political angle, with accusations that certain political figures had interfered in ZESA's operations, leading to the appointment of unqualified personnel and misallocation of resources. Nepotism and cronyism undermined the efficiency of the utility, leading to widespread load shedding and a deteriorating power supply.

Evaluate the corporate governance lapses at ZESA Holdings and discuss how the Agency Problem contributed to the financial mismanagement within the company.

[25 marks]

QUESTION THREE

Using a Scandal of your choice, explain the importance of director independence in corporate governance and how the board should assess and maintain this independence throughout a director's tenure.

[25 marks]

QUESTION FOUR

Explain how the board of directors can address issues of executive compensation in a way that aligns with the long-term goals of the company and its stakeholders. **[25 marks]**

QUESTION FIVE

Critically discuss the theoretical foundations of Stakeholder Theory and Shareholder Theory in the context of corporate social responsibility examining their respective implications for governance practices, decision-making, and the balancing of interests within organizations. [25 marks]

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