



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF LAW, BUSINESS INTELLIGENCE AND ECONOMICS

DEPARTMENT OF ECONOMICS, MARKETING AND ENTREPRENEURSHIP

EXAMINATION PAPER

MODULE CODE	:	MSTM 528/MBA514
MODULE TITLE	:	Corporate Governance and Business Ethics
DURATION	:	3 Hours
LEVEL	:	1.2 and 1:1
DATE	:	09 APR 2025

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Use of silent, non-programmable calculators is allowed.
3. Answer question number **one (1)** in Section A (Compulsory) and any other **three (3)** questions on a new page.
- 4 Begin each question on a new page.
- 5 The number of marks for each question or part question is shown in brackets []
- 6 Give living examples to substantiate your answers.

SECTION A: ANSWER ALL QUESTIONS IN THIS SECTION

QUESTION ONE

CASE STUDY

The NSSA (National Social Security Authority) scandal involves serious allegations of mismanagement, corruption, and financial misconduct within one of Zimbabwe's key state institutions responsible for managing the social security and pension funds of workers in the formal sector. The scandal unfolded in the early 2010s and revealed widespread abuse of power by senior officials at NSSA. NSSA was accused of mismanaging its funds, including investing pension contributions in dubious and high-risk ventures that did not benefit the workers. This involved questionable real estate deals, overpricing of properties, and lack of due diligence in investment decisions. Senior officials and board members were accused of being involved in corrupt activities, such as approving excessive allowances, bonuses, and salaries for themselves, despite the institution facing financial challenges. There were also accusations of officials receiving kickbacks from contractors and businesses that NSSA was doing business with. Some directors and senior employees were accused of having personal stakes in businesses that benefited from NSSA's investment decisions, leading to a direct conflict of interest. This undermined the institution's ability to act in the best interests of its contributors. The failure of NSSA's board to provide effective oversight and hold management accountable for financial mismanagement and corruption was a significant factor that allowed these practices to continue unchecked.

In light of the NSSA Scandal, discuss using the appropriate corporate governance theory the role of the board of directors in overseeing the management's actions and ensuring fiduciary responsibility to the pensioners as stakeholders. [25 marks]

SECTION B: ANSWER ANY THREE QUESTIONS

QUESTION TWO

Analyse using Zimbabwean Parastatals Scandals, the effects of political interference in the appointment and independence of boards of directors and what impact does it have on the overall corporate governance outcomes of these institutions? [25 marks]

QUESTION THREE

The corporate structure of OK Zimbabwe has come under scrutiny for having 13 directors on its board and 9 directors on its executive team, particularly given the company operates approximately 70 grocery stores. A critic argues that such a high number of directors is an example of poor management, suggesting that most of the head office staff, including a large portion of the executive team, could be eliminated for the company to function more efficiently.

a) How does the large board and executive team at OK Zimbabwe potentially increase agency costs and misalign the interests of the board, management, and shareholders? [10 marks]

b) What are the implications of having a large board at OK Zimbabwe, and what governance mechanisms should ensure the board and executive team remain effective and aligned with the company's goals? [15 marks]

QUESTION FOUR

Explain the concept of a shadow director and analyze the corporate governance practices that ensure their involvement is properly recognized and formalized in board decision-making processes. [25 marks]

QUESTION FIVE

One of the integral roles of Board of Directors is to put in place internal controls and audit functions in ensuring robust risk management frameworks and maintaining organizational integrity. Using an organisation of your choice, explore types of risks and possible ways in which risks can be managed in an organisation. [25 marks]

20/6 Am