



UNIVERSITY OF COLOMBO, SRI LANKA

FACULTY OF MANAGEMENT AND FINANCE

Postgraduate and Mid-career Development Unit

Master of Business Administration in Accounting and Information Management Programme –

2022/2024 (Trimester VI) Examination - February, 2025

MBAAI 5222 - Corporate Governance

Three (03) Hours

Answer any Five (05) Questions

This Paper Consists of Six (06) Questions Printed on Three (03) Pages

This is an Open Book examination

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1. i. Cey Life PLC is a registered Sri Lankan company. Its board consists of fourteen directors (five professional accountants, two lawyers, one CIM qualified member, two medical doctors, and four banking and insurance professionals). Five of them are executive directors while two of them are non-executive directors and seven independent directors). Two executive directors serve as the Chairman and the CEO of the company. One chartered accountant (independent director) is the chair of the audit committee while two non-executive directors serve as other committee members. The remuneration committee consists of two non-executive directors and one independent director. The nomination committee consists of one executive director and two independent directors. The related party transaction committee consists of two independent directors and one non-executive director. Based on the above information, evaluate the board balance and the composition of sub-committees of Cey Life PLC as per the prescribed requirements of the Code of Best Practices on Corporate Governance in 2023.

(10 Marks)

ii. Explain the role of internal auditors and external auditors in improving the effectiveness of corporate governance mechanism.

(10 Marks)

(Total 20 marks)

2. i. "Effectiveness of corporate governance depends on the involvement of committees". Discuss the role of audit committee, nomination committee, remuneration committee and related party transaction committee to enhance the effectiveness of corporate governance practices.

(15 Marks)

ii. Distinguish between the 'American Rule-Based Model' and the 'UK Principles -Based Model' to corporate governance.

(05 Marks)

(Total 20 marks)

3. i. "Conflict of interest, and lack of accountability and transparency are the most dominant reasons for corporate collapses".

Discuss the rule-based (mandatory) and principles-based (voluntary) mechanisms as a part of corporate governance practices to remove the impact of conflict of interest, and lack of accountability and transparency.

(10 Marks)

ii. "Concept of good governance is an effective mechanism of protecting public interest".

Comment on the above statement with examples from the Sri Lankan context.

(10 Marks)

(Total 20 marks)

4. i. Discuss the importance of setting up the Related Party Transactions Review Committee and its role to improve the effectiveness of governance practices with reference to the Section 9 of Colombo Stock Exchange (CSE) listing rules.

(08 Marks)

ii.. Describe the importance of the role of board chairman in providing strategic leadership to a company.

(06 Marks)

iii.. Briefly explain the agency theory and its implications for corporate governance.

(06 Marks)

(Total 20 marks)

5. i. Summarize the role that board of directors could play to make corporate entities more effective and socially responsible with reference the recommendations of King Codes (I, II, III and IV) on Corporate Governance.

(10 Marks)

ii. Discuss the recent (after 2020) trends of corporate governance practices in the world.

(10 Marks)

(Total 20 marks)

6. i.. Discuss the obligations of the board towards the Corporate Social Responsibility (CSR) and sustainable business growth.

(10 Marks)

ii. Describe the importance of introducing corporate governance practices to Small and Medium-sized Enterprises (SMEs) and Non-Government Organizations (NGOs) in Sri Lanka.

(10 Marks)

(Total 20 marks)