

SECTION A: COMPULSORY CASE STUDY

QUESTION 1

Read the following carefully and answer the questions which follow:

MILDART VENTURES LIMITED

In 2003, Mildart Ventures Limited, which deals in machinery and equipment, began a journey with a long-term vision of increasing its revenue by 50% within a 10-year period. After nine years of operations, the company has achieved approximately 70% of its 10-year goals.

The success of the company is attributed to the use of a balanced score card by the company.

This approach has transformed the business from where accountability was vague to a system of widespread accountability and transparency.

The operating principles of the company are to work for higher profits, facilitate investment, promote customer satisfaction and reduce staff turnover.

The latest corporate governance report of Mildart Ventures Limited as contained in its annual report, shows an outline of the planning and control systems applied within the company. Management sets targets and these are then monitored via the balanced score card. This, the company argues, is the best way to achieve results for its shareholders.

The performance of the company is reviewed quarterly by the Management Team. The targets within the departments are set and monitored by five managers. Performance is linked to remuneration for Executive Directors and there is a profit sharing scheme for staff.

The strategic planning system is based on the principles underlying balanced score card. This approach, according to the Head of Finance, allows the business to operate with regard to meeting the needs of all stakeholders.

Starting with investment in staff training and effective recruitment ensures that there is low staff turnover, feeding into better process management. A customer service software that ensures that customers' concerns, that are not addressed by officers within 24-hours, are brought to the attention of their superiors. This enhances operations and helps to meet customer needs.

Management has come to the conclusion that if customers are satisfied, then financial targets will be achieved.

Due to the increase in demand for its products, the company is in the process of considering alternatives for expanding its operations. A suggestion by one of the Directors is for the company to purchase a franchise from a foreign company which has expressed interest in dealing with Mildart. In agreement with this strategic option the Chief Executive Officer (CEO) said "Franchising is a very quick way to expand our operations". The management team therefore agrees to pursue this option. The other concern is whether to pay for the franchising with a bank loan or equity.

Required:

- (a) Explain the **four (4)** perspectives of the balanced score card which were used by Mildart Ventures Ltd to achieve the long-term control and direction of the business.
(12 marks)
- (b) Advance **four (4)** reasons why management of Mildart Ventures Limited should opt for franchising.
(8 marks)
- (c) Explain **three (3)** features of the corporate governance system of Mildart Ventures Ltd.
(6 marks)
- (d) Discuss **two (2)** merits each of financing the franchise with a bank loan or with equity.
(4 marks)

(Total: 30 marks)

SECTION B:

Answer any two (2) questions from this section

QUESTION 2

- (a) The need for a company to be socially responsible is paramount.

Explain **three (3)** things an organisation can avoid by acting responsibly. *(9 marks)*

- (b) Explain **conflict of interest** and give **two (2)** conflict of interest situations in an organisation.

(6 marks)

(Total: 15 marks)

QUESTION 3

- (a) Various theories have influenced the development of corporate governance. One of such theories is the **Stewardship Theory**.

What is the focus of the Stewardship Theory? *(5 marks)*

- (b) Discuss **four (4)** principles of Corporate Governance. *(10 marks)*

(Total: 15 marks)

QUESTION 4

- (a) Explain **five (5)** duties of the chairman of a Board of Directors.

(10 marks)

- (b) What role does a Company Secretary play in Corporate Governance?

(5 marks)

(Total: 15 marks)

SECTION C:

Answer any two (2) questions from this section

QUESTION 5

- (a) “World trade is increasing due to globalisation”. Discuss **four (4)** implications of this statement for corporate strategy. *(10 marks)*
- (b) Organisations that use strategic management concepts are more profitable and successful than those that do not.

Discuss **four (4)** ways by which organisations benefit from the use of strategic management concepts.

(10 marks)

(Total: 20 marks)

QUESTION 6

- (a) Effective working capital management enables an organisation to expand and improve its operations.
- (i) Explain the term **working capital**. *(2 marks)*
- (ii) Discuss **four (4)** factors that determine the level of working capital. *(12 marks)*
- (b) Change is made possible with the support of some techniques.

Discuss **three (3)** techniques that an organisation can build to support its change process.

(6 marks)

(Total: 20 marks)

QUESTION 7

The product life cycle is an important concept to a company planning for the development of new products.

- (a) Discuss the importance of the product life cycle illustrating your answer with an appropriate diagram. *(8 marks)*
- (b) Policies are guidelines, rules and procedures that are used to support efforts to achieve organisational objectives.

Discuss **four (4)** ways in which policies are useful for the achievement of organisational objectives. *(12 marks)*

(Total: 20 marks)