



<b>FACULTY/COLLEGE</b>	College of Business and Economics
<b>SCHOOL</b>	School of Management
<b>DEPARTMENT</b>	Business Management CEP's
<b>CAMPUS</b>	APB
<b>MODULE NAME</b>	Corporate Governance & Compliance Management
<b>MODULE CODE</b>	HC1CGCM
<b>SEMESTER</b>	Second
<b>ASSESSMENT OPPORTUNITY, MONTH AND YEAR</b>	Supplementary Assessment January 2021

<b>ASSESSMENT DATE</b>	20 January 2021	<b>SESSION</b>	
<b>ASSESSOR</b>	DR S HUNEBERG		
<b>MODERATOR</b>	MRS Z MABUSE		
<b>DURATION</b>	2 hours	<b>TOTAL MARKS</b>	100

<b>NUMBER OF PAGES OF QUESTION PAPER (Including cover page)</b>	6
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**INFORMATION/INSTRUCTIONS:** \_\_\_\_\_

- This is an online assessment.
- Read the questions carefully and answer only what is asked.
- Answer all the questions.
- Structure your answers by using appropriate headings and subheadings.
- The general University of Johannesburg policies, procedures and rules pertaining to written assessments apply to this assessment.

## **SECTION A**

### **Question 1 [15]**

Provide a definition of the following terms:

- a) Insider trading (3)
- b) Chief Executive Officer (3)
- c) Chief Operating Officer (3)
- d) Corporate Governance (3)
- e) *Inter Vivos* Trust (3)

### **Question 2 [10]**

List any ten (10) King IV Principles.

### **Question 3 [5]**

Identify the type of entity suitable in each of the following instances:

- a) Thembi wants to start her own business selling face masks during Covid-19. She doesn't want to register a business but just wants to run the business on our own and does not want continuity or separate legal personality. (1)
- b) Future InsureTech is a business that was started by John and Jabu. They want a business that has separate legal personality and want to offer shares to the public in order to get capital to start the business. (1)
- c) Penelope indicates in her will that a trust must be established upon her death for her 2 children as beneficiaries. (1)
- d) Kendra wants to start a small law firm after completing her LLB degree and her articles. She wants an entity that has separate legal personality and continuity and that is suitable for law firms. (1)
- e) Palesa and Gabi want to enter into an entity where they will be equal within the entity. They do not want to register a business and don't think it's necessary to have separate legal personality or perpetual succession. (1)

### **Question 4 [5]**

Identify the type of officer in the company in each of the following instances:

- a) Daniel is in charge of director succession, performance and training. (1)
- b) Freddy is in charge of ensuring that the company is appropriately organised and staffed and to have the authority to hire and terminate staff as necessary to enable it to achieve the approved strategy. (1)
- c) Jeanette takes responsibility for transactional and financial reporting, compliance and strategy implementation. (1)
- d) Sellina provides the directors of the company with guidance as to their duties, responsibilities and powers. (1)
- e) Gina is part of the board of directors and is a salaried employee of the company. (1)

(Sub-total: 35 marks)

## **SECTION B**

### **Question 1**

Nadine is a director of Happy Hands Sanitizing (Pty) Ltd. She comes to you for advice regarding the liability of directors within a company.

- 1.1. Explain in detail to Nadine what the directors' fiduciary entails. (5)
- 1.2. Explain to Nadine the difference between an executive, a non-executive director and an independent non-executive director. (5)

**(10 marks)**

### **Question 2**

Maria comes to you wanting advice regarding what type of business entity she can start in South Africa. She informs you that she definitely wants an entity that has separate legal personality and enjoys continuity. She is unaware of how to also go about registering such an enterprise. Advise Maria as to the most suitable enterprises for her based on her needs as well as how to go about registering such entity.

**(10 marks)**

### **Question 3**

Ethical Diamonds (Pty) Ltd is company which specialises in laboratory created diamonds. These diamonds are created in a lab through the use of certain chemicals and pressure. The company started off in 2012 and was doing very well financially until recently. The company has been struggling to pay off its debts and their liabilities are also currently exceeding their assets. They do not want to go through liquidation proceedings as they believe that the company can be revived financially. They come to you for advice on business rescue proceedings. According to the information provided above, explain to the company CEO, Ross Reddy, whether you believe that the company is eligible for business rescue proceedings and exactly what the proceedings entail.

**(10 marks)**

(Sub-total: 30 marks)

## **SECTION C**

### **Question 1**

**[10]**

True and False Questions:

- a) Private companies may sell shares to the public.
- b) Close Corporations may no longer be registered since the promulgation of the Companies Act 2008.
- c) *Inter Vivos* Trust is established upon the death of the founder.
- d) The fiduciary duties of directors entails an objective and subjective test.
- e) Directors may be removed by shareholders through an ordinary resolution.
- f) Directors may be removed by the board if they have become derelict in their duties.
- g) Business Rescue proceedings may never be initiated by employees as affected persons of the company.

- h) The business judgement rule is a defence available to directors if they have made an informed decision, in the best interest of the company and such decision leads to undesirable results.
- i) The King IV Code is rules based.
- j) Insider trading is the sharing of confidential, non-public information with outsiders.

## Question 2

[10]

Fill in the missing word/words:

- a) An [ ] director is generally taken to be an individual in the full-time employment of the company with executive functions. (1)
- b) A [ ] director is an individual not involved in the day-to-day management and not a full-time [ ] employee of the company and/or any of its subsidiaries. (2)
- c) A board should preferably consist of a majority of [ ] non-executive directors. (1)
- d) An [ ] director is a member of a board of directors who does not have a material relationship with the company or related persons, except receiving fees for attending meetings. (1)
- e) Many of the common law directors' duties have been [ ] into legislation, primarily through the Act. (1)
- f) A director should act in the best [ ] of the company. (1)
- g) Directors should disclose any [ ] interests in any contracts with the company. (1)
- h) [ ] trading is the trading of a company's shares or other securities by individuals with access to [ ] information about the company. (2)

## Question 3

[5]

Match the column:

Social and ethics Committee	Review and approve the policy and strategy pertaining to the company's programme of corporate social investment
Audit Committee	Committee reinforces both the internal control system and the internal audit function
Nomination Committee	Identification of suitable members of the board.
Non-executive director	Board member that is not a salaried employee
Executive director	Board member that is a salaried employee

	Make recommendations to the board in respect of remuneration packages for executive directors.
	Chairs the board meetings

### Multiple Choice Questions

[10]

1. The following statement regarding Close Corporations is incorrect:
  - a) Close Corporations may no longer be registered;
  - b) Close Corporation have 1 -15 members
  - c) Close Corporations have separate legal personality
  - d) Close Corporations have continuity.
  
2. The following statement regarding directors fiduciary duty is incorrect:
  - a) Directors must act in the best interest of the company;
  - b) Directors must act with a proper purpose;
  - c) Directors must disclose any personal interest;
  - d) Directors are judged according to a reasonable person in their position
  
3. This business entity is usually utilised by law firms, auditors and accountants:
  - a) Personal Liability company
  - b) Sole Proprietorship
  - c) State-owned entity
  - d) Public Company
  
4. This type of entity has more two or more persons and does not have legal personality:
  - a) Sole Proprietorship
  - b) Private company
  - c) Close Corporation
  - d) Partnership
  
5. This type of entity may not sell shares to the public but it does have separate legal personality:
  - a) Private Company
  - b) Close Corporation

- c) Partnership
  - d) Public Company
6. Sally wants to register a private company, the entity with whom she must do so is called the:
- a) Companies Commission
  - b) Companies and Intellectual Property Commission
  - c) Financial services Board
  - d) Consumer Tribunal
7. Business rescue proceedings entail which of the following:
- a) Liquidating the company as a first step;
  - b) Providing for the temporary supervision of the company and its management and affairs;
  - c) Placing the company under voluntary winding-up proceedings;
  - d) Allowing creditors to claim against the company for any debts owed to them.
8. The following statement regarding the King IV Report is incorrect:
- a) It contains 17 principles
  - b) It is principles based
  - c) It is rules based
  - d) It emphasises the issue of transparency
9. In terms of transparency in a company, which of the following is not a requirement for companies to maintain transparency:
- a) All companies must have a registered office;
  - b) All companies must maintain certain records for seven years;
  - c) All companies must have a fixed financial year;
  - d) All companies must have their financial statements audited.
10. The owners of a company are:
- a) The directors
  - b) The shareholders
  - c) The employees
  - d) The creditors

(Sub-total: 35 marks)

**[TOTAL: 100 MARKS]**