



**CHARTERED INSTITUTE OF BANKERS, GHANA**

**ASSOCIATESHIP EXAMINATION**

**LEVEL IV**

**CORPORATE GOVERNANCE**

**OCTOBER 2022**

**N.B.**

1. Read carefully the instructions on the cover of the answer book.
2. There are TWO sections. Answer **THREE** (3) questions.
3. **SECTION A is compulsory and carries fifty (50) marks.**
  - Answer **TWO** questions from Section B, which carries twenty-five marks each.
4. No aids such as calculators, books, dictionaries, papers, or mathematical sets are permitted in this examination.
5. Time allowed: **THREE (3) HOURS**
6. Candidates must ensure that they answer questions in the appropriate answer book and **NOT** on loose sheets which are used only as supplementary sheets. Such answers will not be marked.
7. The scenarios included here are entirely fictional. Any resemblance of the information in the scenarios to real persons or organisations, actual or perceived, is purely coincidental.
8. **DO NOT WRITE YOUR NAME ON THE ANSWER BOOK.**
9. **DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE INSTRUCTED TO DO SO.**

## SECTION A

### QUESTION 1

The Daily Bank Plc (Sikaman) is a subsidiary of the Daily Bank Plc. Sikaman depends largely on agricultural and other primary exports for its foreign exchange earnings. The Chairman of Daily Bank Plc (Sikaman), Dr. Frank Owusu has received the revised end of the third quarter financial performance of the Bank from the Chairperson of the Audit Committee, Mrs. Mary Adobea. He has invited the Chairman of the Risk Committee, Dr. Kofi Roomy to assist in the discussion concerning the financial performance before the entire board meets.

The Chairman's attention has been drawn to the following excerpts from the unaudited comprehensive income statement as at 30<sup>th</sup> September, 2022 by the Director of Finance who is also expected to be in attendance. The excerpts are presented below. The Chairman of the Board has also asked the other Chairpersons to consider a recent internal memo from the group that instructed the Management Team to exit from the bond market, but it appeared to have been a missed strategic decision and opportunity because it has been received at the time the market is illiquid. This has created some degree of accountability challenge at the Board level. The Chairman has continued to question, why the board could not call for a shift in the allocation of resources on their own evolution but had to be prompted by the Group's Board.

Summary unaudited statement of Comprehensive Income of Daily Bank Plc. For the third quarter, for the year ended 30<sup>th</sup> September, 2022.

Items	September 2022 Amount in millions of cedis (GHS'000s)	September 2021 Amount in millions of cedis (GHS'000s)
Profit for the Period	280,000	300,000
<b>Other Comprehensive Income</b>		
Items that will not be reclassified to profit or loss		
Expected credit loss on investment securities at fair value other comprehensive income (FVOCI)	(300)	200
Change in fair value of financial assets at FVOCI (net of tax)	(200,000)	40,000
Other Comprehensive income for the period net of tax	(230,000)	40,200
Total Comprehensive Income	50,000	340,200
Source: Daily Bank Plc. www.db.sikaman		

The Board of Daily Bank Plc (Sikaman) intends to refocus on the business model and the strategy being implemented by the bank. The business model statement recently approved by the Board in the previous annual report was accepted by most of the shareholders and stakeholders present at the latest annual general meeting (AGM). The current financial performance has put the Chairman of the Board on inquiry and is not convinced about the quality of the governance mechanisms in place. These mechanisms are required to protect the bank by minimising potential losses that can potentially occur due to being slow to react to global, environmental and political risks in Sikaman.

**Required:**

- (i) Critically examine effectiveness of the business model of Daily Bank Plc. **(35 marks)**
- (ii) Critically examine the **FIVE** key corporate governance mechanisms that the Board should introduce to be effective in future. **(15 marks)**

**[Total: 50 marks]**

## SECTION B

### ATTEMPT ANY TWO QUESTIONS

#### QUESTION 2

The Chairman of Great Bank Plc in Boldland is interested in conducting an internally organised evaluation of the Board. The Chairman is aware that an Internal Board Evaluation (IBE) is required to satisfy the corporate governance directives by the regulator in Boldland.

**Required:**

Critically examine the importance of a board conducting an Internal Board Evaluation (IBE) and the **FIVE** key elements that should be included in the evaluation. **(25 marks)**

#### QUESTION 3

Critically examine the practical importance of the approved tenure of office of the Board Chairpersons, Board Members and the Chief Executive Officers (CEOs) of Banks. **(25 marks)**

#### QUESTION 4

Critically examine the current view in corporate governance that the Company Secretary should be designated as the Chief Governance Officer (CGO) of the Bank. **(25 marks)**

#### QUESTION 5

Environmental, Social and Governance (ESG) issues have become central to many board decisions in banks. Critically examine the **FIVE** main issues the Board of Directors of a Development Bank should consider in satisfying regulatory reporting and disclosure requirements. **(25 marks)**