

DIPLOMA IN INSURANCE

Unit Name: Financial Management

Unit Code: DIP 302

SAMPLE QUESTION

In an organization, agency problems can be resolved by proper corporate governance. Corporate governance lays emphasis on shareholders rights and enhancement of shareholder value. In many countries including Kenya, the concept of corporate governance has gained increasing prominence in recent times as evidenced by the issue of corporate governance guidelines by the Capital Markets Authority (CMA).

Required:

- a) Explain the reasons motivating the increasing interest in corporate governance. (
- b) Identify the benefits of good corporate governance to shareholders.
- c) Describe corporate governance guidelines issued by the Capital Markets Authority.

(Total: 25 marks)

Mr pesa has been offered a special set of annuities by his insurance company, whereby he will receive Sh.2,000, 000 a year for the next 15 years and Sh.1,000, 000 for the following 25 years.

- (a) How much would he be willing to pay for this policy, if the discount rate is 8% and the annuities are paid at the end of each year?
- (b) How much would he be willing to pay if the discount rate is 8% and the annuities are paid at the beginning of each year?