An analysis of cathay pacific airways limited

Business, Industries

ASSIGN BUSTER

The new era of globalise businesses and increased awareness in the stakeholders have given importance to the notion of Corporate Governance. The execution of the notion will have important consequences for investors, companies, and, critically, for the stock and other financial markets of UK. With the increasing globalisation when every country can be seen as an opportunity for the investors the lack of understanding of effective corporate governance can adversely effect the investment intentions of investors.

Nowadays corporate governance is seen as the key of attracting investors. Capital flow seems directed towards the companies, which practice fair and transparent ways of governing their organisations. With the changing global business scenario the need of understanding and effective practise of fair and technologically advance corporate governance has also increased. Below we will undertake the analysis of annual report of Cathay Pacific Airline of year 2006 according to the good governance practices in UK. Introduction of Cathay Pacific Airlines Limited:

“ Hong Kong's leading airline, Cathay Pacific Airways flies passengers and cargo to about 90 destinations around the globe. The carrier is part of the Oneworld global marketing alliance, led by British Airways and AMR's American Airlines; it also has a code-sharing agreement with Japan Airlines. Subsidiary Air Hong Kong provides cargo services primarily to destinations in Asia, including China and Korea (DHL owns 40%). In addition, Cathay Pacific owns regional carrier Dragonair. Other Cathay Pacific units provide flight catering, maintenance, and related services in Hong Kong.

Swire Pacific owns a 40% stake in Cathay Pacific. ” (Answers. com, 2007) Corporate Governance: ICAEW (2002) has explained corporate governance in a very effective and comprehensive manner as “ Corporate governance is commonly referred to as a system by which organisations are directed and controlled. It is the process by which company objectives are established, achieved and monitored. Corporate governance is concerned with the relationships and responsibilities between the board, management, shareholders and other relevant stakeholders within a legal and regulatory framework. ”

Sir Adrian Cadbury (1992) defined corporate governance as ‘ the whole system of controls, both financial and otherwise, by which a company is directed and controlled’. There are no hard and fast rules for corporate governance, which can be prescribed for all the countries. These rules can be different for different countries according to their needs and cultural settings. According to ICAEW (2002) with all the contrasts present in the rules and regulations of different countries emphasis is given to generic corporate governance principles ofresponsibility, accountability, transparency and fairness.

Responsibility of directors who approve the strategic direction of the organisation within a framework of prudent controls and who employ, monitor and reward management. Accountability of the board to shareholders who have the right to receive information on the financial stewardship of their investment and exercise power to reward or remove the directors entrusted to run the company. Transparency of clear information with which meaningful analysis of a company and its actions can be made.

The disclosure of financial and operational information and internal processes of management oversight and control enable outsiders to understand the organisation. Fairness that all shareholders are treated equally and have the opportunity for redress for violation of their rights. According to Meigs et al. (1999) this information meets the needs of users of the information-investors. Creditors, managers, and so on-and support many kinds of financial decision performance evaluation and capital allocation, among others. (P. 07) The Corporate governance in UK constitutes the three important pillars. 1) Institutional investors.

2) The codes suggested by the Cadbury Committee. (Although these have been revised and amended according to the changing needs of Modern business. 3) The London Stock Exchange as the regulatory body for implementing these codes. Mallin et al. (2004) states that the bankruptcy laws are a key component of any corporate governance system. The recent UK Enterprise Bill aims to encourage entrepreneur-ship by improving the rights of ‘ good’ as opposed to ‘ recalcitrant’ business debtors, relative to creditors; as a means of encouraging entrepreneur-ship and reducing the fear and stigma attached to businessfailurein the UK.

In the continuation of improving the corporate governance processes in UK, the ICAEW presented a report in 2003, which included the 11 models dealing with the issues related to the corporate governance and financial reporting. In the next part of my speech I will explain the 11 models presented in the

ICAEW Report (2003) and their contribution to the solution of the related problems. Value Dynamics: The model discussed in ICAEW report, (2002) emphasises the need of changing the concept of assets. It presents a whole new concept of assets as compare to those used in the traditional accounting.