

Sept/Dec 2020

Q1 (a)

Prepare a briefing note for the CFO which:

Explains:

**(i) The specific nature of the principal-agent relationship of the BCO as a charitable organisation;
(4 marks)**

The Bloom Conservation Organisation (BCO) is a not-for-profit charitable organisation set up to protect endangered wildlife around the world. It was founded 50 years ago by Dana Bloom, a wealthy entrepreneur with a passion for wildlife protection. She set up the BCO wildlife park in her home country of Geeland and, since it was founded, the wildlife park has provided intensive hands-on management of some of the world's most threatened animals.

The BCO employs teams of locally-based wildlife experts and volunteers to manage and protect some of the most endangered animals in the world. Much of the BCO's income comes from donations from the public and from corporate donors. The BCO also generates income from legacies, which are donations left when people die.

The BCO has a board of trustees which oversees the management of the charity, which is undertaken on a day-to-day basis by the management board. Dana Bloom, who is now over 80 years old, has very recently stepped down from her role as chairperson and a new chairperson, Rani Jeffels, has just been appointed.

Solution:

Briefing Note

To: CFO

Principal Agent Relationship for BCO

Donors & Board of Trustees (BOT)

BCO is a charitable org thus it raises its funds from private & corporate donors, thus the principal here is the donors while the BOT will be the agent who is responsible for ensuring the donations are used for the intended purpose.

Board of Trustees (BOT) & Management Board (BOD)

BOT will be assisted by the BOD in the day to day operations of BCO. Thus, the BOD is the agent of BOT (who is the principal) as the BOD is responsible to ensure that BCO operations is running smoothly and they are assisted by volunteers. Meanwhile, the BOT will be responsible to set KPI for the BOD to meet to ensure BCO is managed effectively.