

# Unit 6 - Week 4

## Course outline

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### Week 1

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### Week 4

- Lecture 16 : Understanding Corporate Governance
- Lecture 17 : Conflicts and Key Elements in Corporate Governance
- Lecture 18 : Specific Areas of Concern in Corporate Governance and Countermeasures - I
- Lecture 19 : Specific Areas of Concern in Corporate Governance and Countermeasures -II
- Lecture 20 : Concluding Session on Corporate Governance

Lecture Material Week 4

Quiz : Assignment 4

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## Assignment 4

The due date for submitting this assignment has passed.  
As per our records you have not submitted this assignment.

**Due on 2019-08-28, 23:59 IST.**

1) Consider this:

The Board of Governors may fail to safeguard the shareholder's interest because of:

- (i) The Board's failure to conduct the internal audit by themselves.
- (ii) The Board's failure to challenge the aggressive optimism of the CEO in the Boardroom.
- (iii) The Board members may have vested interest due to collusion with the top executives
- (iv) The presence of NEDs among the Board members.

Which of the following is true?

- (A) Only (i)
- (B) (ii) & (iii)
- (C) (i) & (iv)
- (D) Each of (i), (ii), (iii) & (iv)

No, the answer is incorrect.

Score: 0

Accepted Answers:

(B) (ii) & (iii)

2 points

2) Consider the following statements and choose the option that correctly captures their truth and falsity:

- (i) In case of failed Merger and Acquisitions, the investors suffer a loss for the risky decision taken by the top management.
- (ii) An acquisition is always hostile.
- (iii) Lack of due diligence, poor planning, lack of understanding of each other's organizational values and culture are some of the reasons why Mergers and Acquisitions fail.
- (iv) One of the ethically problematic issues in merger and acquisition is that the top executives of the company to be acquired always protest against merger and acquisitions.

Options:

- (A) i-True, ii- False, iii-True, iv- False
- (B) i-True, ii- True, iii-True, iv- False
- (C) i-True, ii- False, iii-False, iv- False
- (D) i-True, ii-False, iii- True, iv- True

No, the answer is incorrect.

Score: 0

Accepted Answers:

(A) i-True, ii- False, iii-True, iv- False

2 points

3) Which one of the following would be the best way for an individual shareholder (not an institutional shareholder) to demonstrate *shareholder activism* towards a corporation, that he or she owns shares of, but the corporation neither pays the dividend on time, nor pays it at the promised rate.

- (A) By selling the company shares on the market.
- (B) By attending the annual general meeting of the corporation and raising the issue there.
- (C) By overruling the board decision to pay the dividend at a certain rate.
- (D) By taking an active role in the management of the corporation.

No, the answer is incorrect.

Score: 0

Accepted Answers:

(B) By attending the annual general meeting of the corporation and raising the issue there.

2 points

4) Consider the following and choose the one which is not true:

According to the Companies Act 2013 and SEBI, the conditions for appointing the non-executive directors (NEDs) are:

- (A) At least 1/3 of the directors of a listed public company should be NEDS.
- (B) If Board Chairman is NED, then at least 1/3 of the Board should be NEDs; and at least 1/2 of the Board members should be NEDs if chairman is a corporate top executive.
- (C) NEDs should be appointed for a limited time.
- (D) The NEDs should get some stock options in the company as part of their remuneration for being a Board member.

No, the answer is incorrect.

Score: 0

Accepted Answers:

(D) The NEDs should get some stock options in the company as part of their remuneration for being a Board member.

2 points

5) Consider the following and choose which one is not correct:

Agency problem arises in corporate governance because:

- (A) Top executives fail to do their duties to run the Corporation for creating joint value for the company and for the investors.
- (B) Managers are interested in activities that serve their own interest; though they are supposed to look after the benefit of the shareholders
- (C) The duty of the principal is to look after the interest of the agents; and not vice versa.
- (D) Rights of shareholders / investors are not protected by the management.

No, the answer is incorrect.

Score: 0

Accepted Answers:

(C) The duty of the principal is to look after the interest of the agents; and not vice versa.

2 points

6) Which one of the following is a Shareholder's right incorporated by Companies Act 2013?

- (A) The right to vote in the election of members of Board of Directors.
- (B) The right to vote in the election of employee union of the company.
- (C) The right to inspect the company accounts books.
- (D) The right to inspect statutory registers and minutes books.

No, the answer is incorrect.

Score: 0

Accepted Answers:

(A) The right to vote in the election of members of Board of Directors.

(D) The right to inspect statutory registers and minutes books.

2 points

7) Match List I correctly with List II from the options given below

List-I	List-II
a. Dispersed ownership shareholding pattern	i. A shareholder exercises his or her shareholder rights to bring in changes within the Corporation, and to influence the corporate decisions.
b. Concentrated ownership shareholding pattern	ii. Organizations or institutions which invest in company shares on behalf of their members.
c. Institutional shareholder	iii. Large number of shares in the hands of an individual, or family, or a group, who function as the controlling shareholder.
d. Shareholder activism	iv. Many small shareholders and widely distributed shares, such that there is no dominant shareholder and ownership change hands frequently.

- (A) a-iv, b-iii, c-ii, d-i
- (B) a-i, b-ii, c-iii, d-iv
- (C) a-iii b-ii c-i, d-iv
- (D) a-ii b-iii, c-iv, d-i

No, the answer is incorrect.

Score: 0

Accepted Answers:

(A) a-iv, b-iii, c-ii, d-i

2 points

8) Which one of the following is not a function of the Board of Governors of a large public company?

- (A) The selection of the auditors
- (B) Monitoring the CEO's performance
- (C) Managing the day-to-day operations of the corporation
- (D) To oversee the company's management and policies.

No, the answer is incorrect.

Score: 0

Accepted Answers:

(C) Managing the day-to-day operations of the corporation

2 points

9) **Assertion 1 (A1):** Disproportionately high salary of the top executives compared to performance of the company is a prominent ethical issue in corporate governance.

2 points

**Assertion 2 (A2):** In case of acquisition, the excessive salary of the top executives may be renegotiated by the acquirer.

Choose the correct option from the given:

- (A) A1 is true, but A2 is false.
- (B) Both A1 and A2 may be true, and A2 is a reason for A1.
- (C) Both A1 and A2 may be true, but A2 is not a reason for A1.
- (D) A2 may be true, but A1 is false.

No, the answer is incorrect.

Score: 0

Accepted Answers:

(C) Both A1 and A2 may be true, but A2 is not a reason for A1.

10) Mr. Lee is a top executive of Company C. In a recent Board meeting, of the directors, the Board of C approved the strategic decision to acquire a small competitor firm D to gain more market share. The decision was yet to be made public. Same evening, during a family dinner, Mr. Lee casually mentions this to his relative Mr. Ben. Right after dinner, Mr. Ben immediately purchases the shares of D, which he knew would increase in value once the announcement is made.

2 points

Consider the above case and choose which of the option/options is /are correct:

- (A) Mr. Lee is ethically responsible for insider trading because the information used for that he shared does not rightfully belong to him; it is the property of the company.
- (B) Mr. Lee is not ethically responsible for insider trading; because he shared the information very casually with his relative; he did not give any advice to Mr. Ben for buying shares of D.
- (C) Mr. Ben is ethically responsible for insider trading because he used the information for his personal profit.
- (D) Mr. Ben is not ethically responsible for insider trading because he did not ask Mr. Lee to share any confidential information with him; Mr. Lee shared that information by his own will.

No, the answer is incorrect.

Score: 0

Accepted Answers:

(A) Mr. Lee is ethically responsible for insider trading because the information used for that he shared does not rightfully belong to him; it is the property of the company.

(C) Mr. Ben is ethically responsible for insider trading because he used the information for his personal profit.