

CORPORATE GOVERNANCE 5.6.2015

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Dictionary or any other materials **are not allowed** in the exam.

Summer Exam

- Below you will find six statements. Answer whether they are true or false [correct answer = 2p., wrong answer = -2p., no answer = 0p. Min: 0p., max: 12p.]
 - Audit committee's duties include monitoring the reporting process of financial statements.
 - CEO of the company is often a chairperson of the nomination committee.
 - Linck, Netter and Yang (2008) report that firms structure their boards in ways consistent with the costs and benefits of monitoring and advising by the board.
 - Empirical research has shown that small boards are less effective in their monitoring task.
 - Insiders' use of long-term private information such as that related to corporate strategy or other long-term prospects is illegal use of insider information.
 - The so-called Free cash flow problem arises means that the payout of cash to shareholders creates major agency problem between shareholder and managers of the firm.
- Give examples on the reverse causality between performance and governance attributes. [6 p.]
- Explain briefly the following figure. [6p]

