



## YLIOPISTOTENTTILOMAKEPOHJA / UNIVERSITY EXAM TEMPLATE

Koskee tiedekuntia LuTK, OyKKK, KaTK, TTK, TST ja BMTK (Linnanmaan tentit) /  
Concerns Faculties SCI, OBS, OMS, TECH, ITEE and BMM (Linnanmaa campus)

Tentin pvm / Date of exam: 7.12.2015		Tentin kesto tunteina / Exam in hours: 4	
Tiedekunta / Faculty: OYKKK			
Opintojakson koodi, nimi, tentin numero ja opintopistemäärä / The code and the name of the course, number of the exam and credit units: 721128S, Corporate Governance, 6 op			
Tentaattori(t) / Examiner(s): Juha-Pekka Kallunki		Sisäinen postios. / Internal address: 6 OYKKK/Laskentatoimen yksikkö	
Sallitut apuvälineet / The devices allowed in the exam:			
<input type="checkbox"/> Nelilaskin / Standard calculator	<input checked="" type="checkbox"/> Funktiolaskin / Scientific calculator	<input type="checkbox"/> Ohjelmoitava laskin / Programmable calculator	
<input type="checkbox"/> Muu materiaali, tarkennettu alla / Other material, specified below:			
Tenttiin vastaaminen / Please answer the questions:			
<input checked="" type="checkbox"/> Suomeksi / in Finnish	<input checked="" type="checkbox"/> Englanniksi / in English		
Kysymyspaperi on palautettava / Paper with exam questions must be returned:			
<input checked="" type="checkbox"/> Kyllä / Yes	<input type="checkbox"/> Ei / No		

*Prof. Kallunki's lectures:*

1. 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.]

- a) Shareholders' general meeting appoints a CEO of the company.
- b) The so called Business judgment rule protects board members from the liability if they make reasonable decisions.
- c) Analyzing the shocks of the governance attributes is one way to address endogeneity problem.
- d) Accounting conservatism can be measured by using the Basu (1997) model.
- e) Sensation seeking refers to an individual's tendency to take physical, social, legal and financial risks simply for the sake of the thrill.
- f) The so-called Free cash flow problem means that the payout of cash to shareholders creates major agency problem between shareholder and managers of the firm.

2. What sub-committees can a board include? [6p.]

CONTINUES ON THE NEXT PAGE!

*Prof. Nilsson's lectures:*

**3. Management Compensation [6p.]**

- a) Shortly discuss three desirable features of option programs as a mean to incentivize managers to create shareholder value.*
- b) Shortly discuss two possible explanations for why Nokia has replaced Options with Performance Shares as the primary vehicle for long term incentives.*