



**UNIVERSITI TUN HUSSEIN ONN
MALAYSIA**

**FINAL EXAMINATION
SEMESTER II
SESSION 2009/2010**

SUBJECT NAME : CORPORATE GOVERNANCE
SUBJECT CODE : BPB 3172
COURSE : 3 BPA
EXAMINATION DATE : APRIL / MAY 2010
DURATION : 2 HOURS
INSTRUCTION : ANSWER **FOUR (4)** QUESTION
ONLY OUT OF SIX (6) QUESTIONS.

THIS QUESTION PAPER CONSISTS OF 4 PAGES

- Q1 (a) "Opportunism has been defined as 'self-interest seeking with guile' and as 'the active tendency of the human agent to take advantage, in any circumstances, of all available means to further his own privileges'.
(Adopted from Crozier, The bureaucratic Phenomenon, p.265)

The above statement elucidates the concept of opportunism in the theoretical frameworks which have evolved to explain and analyse the corporate governance.

Describe the above concept in agency as well as transaction cost theory.
(15 marks)

- (b) Stakeholder theory may be viewed as one of the various theories which presents the explicit framework for corporate governance.

Explain the nature of stakeholder theory.
(10 marks)

- Q2 (a) Explain the fact and decision in the landmark case of Salomon vs. A. Salomon.
(9 marks)

- (b) Once a company is incorporated, it deems to be legally separated from its members. One of the effects is that the company might sue and be sued on its own name. However, in some circumstances, the law lays down certain exceptions.

Discuss those exceptions by stating case law.
(16 marks)

- Q3 (a) The Enron case illustrates the impotency of corporate governance practice in a large company.

Analyse **THREE (3)** root factors which contribute to its downfall.
(18 marks)

- (b) Parmalat may be considered as a purely Italian case of corporate governance failure and it is invariably compared with Enron.

List down **TWO (2)** similarities and **THREE (3)** differences, respectively between Parmalat and Enron.
(7 marks)

- Q4 (a) Explain briefly the types of company director as follows;
- (i) Non Executive Director
 - (ii) Nominee Director
 - (iii) Executive Director
 - (iv) Shadow Director
 - (v) De Factor Director.
- (10 marks)
- (b) "The Cadbury Report recommended that there should be a balance of power between board members such that no individual could gain 'unfettered' control of the decision-making process'....the importance of the roles of chairman and chief executive derives from extremely different functions which someone in each of these positions should carry out."
(Adopted from Jill Solomon, Corporate Governance and Accountability, p.79)
- Based on the above statement, splitting of power between a chairman and a chief executive officer is essential in ensuring good corporate governance is practised effectively.
- Compare **FIVE(5)** types of roles played by these officers.
- (15 marks)
- Q5 Figure Q5 in Appendix I illustrates the scenario of a complex web of ownership in an institutional organization. The institutional organization usually confronts such complexity in the chain of ownership and accountability.
- (a) Describe briefly this scenario which brings about the issue of accountability.
(9 marks)
- (b) Discuss **FOUR (4)** types of role that shareholders may exercise in order to secure their interest over the board's activities.
(16 marks)
- Q6 (a) State briefly **TWO (2)** differences between an internal and external auditor.
(4 marks)
- (b) Explain the legal requirements to be an external auditor.
(5 marks)
- (c) Explain in details **FOUR (4)** types of duties of an external auditor.
(16 marks)

END OF QUESTION PAPER

FINAL EXAMINATION

SUBJECT : CORPORATE GOVERNANCE SUBJECT CODE : BPB 3172
SEMESTER : SEMESTER II / 2009/2010 COURSE : 3 BPA

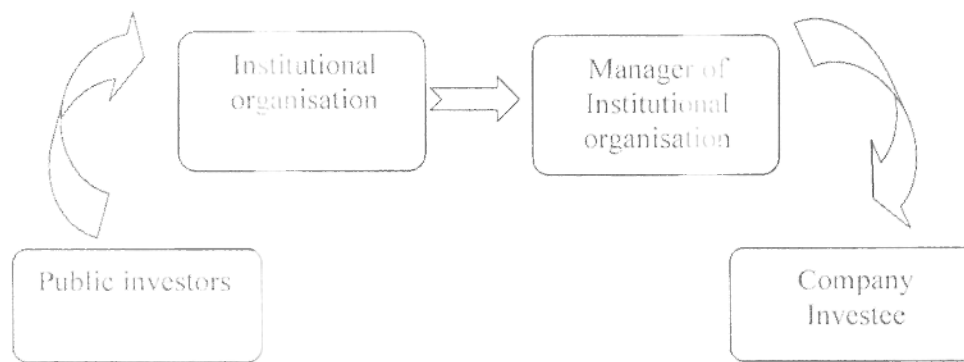


Figure Q5 : A Complex Web of Ownership