



## Dr.G.R.Damodaran College of Science

(Autonomous, affiliated to the Bharathiar University, recognized by the UGC) Re-accredited at the 'A' Grade Level by the NAAC and ISO 9001:2008 Certified CRISL rated 'A' (TN) for MBA and MIB Programmes

II B.COM (CS) [2016-2019] BATCH

SEMESTER III

CORE : CORPORATE GOVERNANCE-305B

Multiple Choice Questions.

1. A company's ----- is (are) potentially the most effective instrument of good corporate governance.

- A. Share holders
- B. board of directors
- C. common stock
- D. common stock

ANSWER: B

2. The framework for establishing good corporate governance and accountability was originally set up by the

- A. Nestle Committee
- B. Thornton Committee
- C. Rowntree Committee
- D. Cadbury Committee

ANSWER: D

3. Which of the following is not one the underlying principles of the corporate governance Combined Code of Practice?

- A. integrity
- B. acceptability
- C. accountability
- D. openness

ANSWER: B

4. Multiple-bottom-lines focus on

- A. Improving internal control over financial reporting.
- B. Creating and sustaining effective corporate structure.
- C. Creating and sustaining effective corporate structure.
- D. Reporting on the many ventures in which the organization is involved

ANSWER: C

5. The OECD argues that corporate governance problems arise because:

- A. Ownership and control is separated
- B. Managers always act in their own self interest
- C. Profit maximization is the main objective of organizations
- D. Stakeholders have differing levels of power

ANSWER: A

6. What makes a corporation distinct from a partnership
- A. If the members of a corporation die, the corporation remains
  - B. If the members of a corporation die, the corporation ceases to exist
  - C. A corporation cannot own property
  - D. A corporation cannot be held responsible for the illegal acts of its employees

ANSWER: A

7. An organization that is owned by shareholders but managed by agents on their behalf is conventionally known as the modern:

- A. Firm
- B. Conglomerate
- C. Company
- D. Corporation

ANSWER: D

8. The modern corporation has four characteristics. These are limited liability, legal personality, centralized management and

- A. Fiduciary duty
- B. Stakeholders
- C. Transferability
- D. Shareholders

ANSWER: C

9. WHICH OF THE FOLLOWING IS NOT THE PRINCIPLE OF OECD

- A. DISCLOSURE AND TRANSPARENCY
- B. RIGHTS OF SHARE HOLDERS AND STAKE HOLDERS
- C. EQUITABLE TREATMENT OF SHARE HOLDERS
- D. CONVENING OF MEETINGS AMONG STAKE HOLDERS

ANSWER: D

10. The Institute of Chartered Accountants in England and Wales considers argue that one particular stakeholder group should have primacy over all other groups. Which stakeholder group are they referring to?

- A. Society
- B. Shareholders
- C. Customers
- D. Managers

ANSWER: B

11. \_\_\_\_\_ refers to meeting the needs of the present without compromising the ability of future generations to meet their own needs.

- A. Corporate Social Responsibility
- B. Sustainability
- C. Convergence
- D. Green Economics

ANSWER: B

12. The term 'material unlisted Indian Subsidiary' mean an unlisted subsidiary incorporated in \_\_\_\_\_

- A. Australia
- B. Europe

C. United States

D. India

ANSWER: D

13. Shareholder grievance committee shall be headed by a \_\_\_\_\_

A. Chairman of board of directors

B. Proxy

C. CEO

D. Chairman Ex-shareholders

ANSWER: A

14. As per the sub-clause V of Clause 49 of the Listing Agreement, CFO includes \_\_\_\_\_.

A. Chairman of audit committee

B. Head of Accounts department

C. Chairman

D. board of directors

ANSWER: A

15. The inclusion of an independent director in a Board brings \_\_\_\_\_.

A. Independence in management

B. A more practical approach to the decision making process

C. Objective view

D. A more knowledgeable view and a more professional view

ANSWER: D

16. Announcement in respect to the unaudited quarterly results should be made in the newspaper within \_\_\_\_

A. 15 minutes of the closure of the Board meeting

B. 72 hours from the closure of the Board meeting.

C. 48 hours from the closure of the Board meeting

D. 7 days from the date of the Board meeting

ANSWER: C

17. Training programme of directors should include \_\_\_\_\_

A. Laws applicable to the company.

B. Accounting Standards.

C. Simulation

D. Provisions of laws.

ANSWER: D

18. IN 1996 \_\_\_\_\_ TOOK SPECIAL INITIATIVE ON PUBLIC CONCERN REGARDING THE PROTECTION OF INVESTORS ON CORPORATE GOVERNANCE

A. OECD

B. CII

C. GREENBURY COMMITTEE

D. CADBURY COMMITTEE

ANSWER: B

19. \_\_\_\_\_ RESULTS FROM PROBLEMS ARISING FROM SEPERATION OF OWNERSHIP AND CONTROL

A. STAKE HOLDER THEORY

B. SHARE HOLDER THEORY

C. CORPORATE GOVERNANCE

D. BOTH A AND B

ANSWER: C

20. Agency theory specifies mechanisms to reduce

A. organizational motive

B. corporate value

C. agency loss

D. Both A and B

ANSWER: C

21. Strong corporate governance procedures are needed to ensure that:

A. stock prices remain high.

B. managers carry out business unit plans.

C. managers adhere to ethical norms.

D. all of the above occur.

ANSWER: C

22. German model is also known as

A. Unitary model

B. Two-Tier board model

C. Business network model

D. Geo tagging model

ANSWER: B

23. Satisfied stakeholders may behave in which of the following ways

A. Leave the organisation.

B. Demonstrate loyalty to the organisation.

C. Do a & b.

D. Seek to change things in the organisation.

ANSWER: B

24. Value protection is intended to protect the interests of all stakeholders. Such interests include:

A. Government—tax revenue.

B. Employee—job security.

C. Shareholder—wealth (stock appreciation and dividends).

D. All of the above

ANSWER: B

25. Which of the following can be driving forces for change?

A. Shareholder expectations.

B. Competitor's strategy.

C. Directors desire for organisational growth.

D. All of the above

ANSWER: D

26. Narayana Murthy Committee report 2003 emphasize the following terms except

A. To review the performance of corporate governance

B. to determine the role of companies in responding to rumors about market

C. price sensitive information about the market

D. dependence of audit committees

ANSWER: D

27. What should organisations seek to do with stakeholders who have high interest and low power
- A. Invest maximum effort.
  - B. Keep satisfied.
  - C. Keep informed.
  - D. Do nothing.

ANSWER: C

28. A category D stakeholder holds which of the following?
- A. Medium interest and medium power.
  - B. High interest and low power.
  - C. High interest and high power.
  - D. High interest and medium power

ANSWER: C

29. Discretionary stakeholders possess which of the following attributes?
- A. URGENCY
  - B. LEGITIMACY
  - C. POWER
  - D. NONE OF THE ABOVE

ANSWER: B

30. Dangerous stakeholders possess which of the following attributes
- A. Power
  - B. Legitimacy
  - C. Urgency
  - D. Answers a & b

ANSWER: D

31. The members of a client's audit committee should be:
- A. members of management.
  - B. directors who are not a part of company management.
  - C. non-directors and non-managers.
  - D. directors and managers.

ANSWER: B

32. The Sarbanes-Oxley Act requires a cooling off period of how long before a member of an audit team can work for a client in a key management position?

- A. Eighteen months.
- B. Twelve months.
- C. Thirty-six months.
- D. It is not specified; instead it is left to the auditor's discretion.

ANSWER: B

33. Which of the following statements regarding professional and regular corporations is not true?
- A. Shareholders in both professional corporations and regular corporations are individually liable in litigation against the CPA firm.
  - B. The shareholders, officers, and employees must comply with all Code of Professional Conduct requirements.
  - C. Stock in a public accounting corporation must be held by only those CPA's who are qualified to

practice.

D. The firm name must meet the same requirements as those for a single proprietorship and partnership.

ANSWER: A

34. Which of the following statements is correct?

A. Non-audit services that are not prohibited by Sarbanes-Oxley or the SEC rules must be approved by management of the client.

B. Non-audit services that are not prohibited by Sarbanes-Oxley or the SEC rules must be approved by staff of the PCAOB.

C. Non-audit services that are not prohibited by Sarbanes-Oxley or the SEC rules must be approved by staff of the PCAOB and the SEC.

D. Non-audit services that are not prohibited by Sarbanes-Oxley or the SEC rules must be approved by the company's audit committee

ANSWER: D

35. The committees which promote workers' participation in management are usually established only at the

A. corporate level

B. plant level

C. shop-floor level

D. All of the above

ANSWER: D

36. Which of the following is false?

A. Public companies do not usually report their corporate governance activities.

B. Corporate governance reporting reports the effectiveness, responsiveness, and credibility of an organization's corporate governance measures.

C. Corporate governance reports are required to be prepared in conjunction with the annual 10-k filed with the SEC.

D. Corporate governance standards should be developed to assess, attest to, and report on the quality and effectiveness of corporate governance.

ANSWER: B

37. The key protagonist of stakeholder theory is:

A. Adrian Cadbury E

B. . Sternberg

C. Freeman

D. Adam Smith R. E

ANSWER: C

38. Which one of the following is not constituted under the J.J. Irani Committee report on company Law, 2005

A. responses from stake holders on the concept paper

B. Enable timely response to ever-evolving business models

C. protecting interest of stakeholders and small investors

D. none of these

ANSWER: D

39. Which of the following are the suggestions of the J.J Irani Committee Report on Company Law, 2005

A. Appointment of independent directors in listed companies

B. Formation of Pyramidal Structures

C. Power to shareholders

D. All the above

ANSWER: D

40. Which of the following are the recommendations contained in the Naresh Chandra Committee's report

A. Disclosure of Contingent liabilities

B. Certification by CFO's and CEO's

C. Independence of audit committees

D. All the above

ANSWER: D

41. Executive pay in the UK was reviewed by:

A. The Greenbury Committee

B. The Cadbury Committee

C. The Hampel Committee

D. The Higgs Committee

ANSWER: A

42. In Japan, some corporations operate within the philosophy of 'kyosei'. The term 'kyosei' means:

A. If the corporation is bad, society is bad

B. Living and working for the common good

C. All stakeholders are equal

D. No man shall be richer than another man

ANSWER: B

43. The view that sees profit maximization as the main objective is known as:

A. Corporation theory

B. Stakeholder theory

C. Principal-agent problem

D. Shareholder theory

ANSWER: B

44. The term 'asymmetry of information' means information in a corporation is:

A. Equally transparent to all stakeholders

B. Not equally transparent to all stakeholders

C. Not transferable to all stakeholders

D. Transferable to all stakeholders

ANSWER: C

45. The Web site disclosure required for amendments and waivers to the code of ethics must be maintained online for which of the following:

A. 15 months

B. 24 months

C. 5 months

D. 12 months

ANSWER: D

46. The primary responsibilities of the board of directors include all but which of the following

A. Define the company's mission and goals.

B. Establish or approve strategic plans and decisions to achieve these goals.

C. Appoint senior executives to manage the company in accordance with the established strategies,

plans, policies, and procedures.

D. Make managerial decisions that will increase the company's stock price.

ANSWER: D

47. The oversight function of the board of directors consists of:

A. Representing shareholders and protecting their interests

B. Approving the company's major operating, investing, and financial activities.

C. Holding the board, its committees, and its directors accountable for the fulfillment of the assigned fiduciary duties and oversight functions.

D. All of the above.

ANSWER: D

48. Ratification of management decisions and minimal liability defines which best practices board structure?

A. Certifying board.

B. Operating board.

C. Passive board.

D. Intervening board.

ANSWER: C

49. Insurance payable to the directors and officers of a company if they get sued for something that happened while they were with that company is known as:

A. Duties & obligations insurance

B. Disaster & occurrence insurance

C. Director & officer insurance

D. Duty & opportunity insurance

ANSWER: C

50. According to Cadbury (2002), corporate governance is an issue of power and:

A. Appropriability

B. Profit

C. Accountability

D. Rights

ANSWER: C

51. Which of the following statements is not true with respect to audit committees?

A. Individuals not on a firm's board of directors should comprise the audit committee

B. The audit committee generally helps in resolving conflicts between the auditors and company management

C. Audit committees are required for all companies.

D. All companies listed on the NYSE are required to have an audit committee.

ANSWER: D

52. Interpretations of the rules regarding independence allow an auditor to serve as:

A. a director or officer of an audit client.

B. an underwriter for the sale of a client's securities.

C. a trustee of a client's pension fund.

D. an honorary director for a not-for-profit charitable or religious organization

ANSWER: D

53. "Independence" in auditing means:

- A. maintaining an indirect financial interest.
- B. not being financially dependent on a client.
- C. taking an unbiased and objective viewpoint.
- D. being an advocate for a client.

ANSWER: C

54. To authorize the introduction of checking accounts as a new service for the members are done by \_\_\_\_\_

- A. Board
- B. Staff
- C. Management
- D. Credit committee

ANSWER: A

55. Who approve a salary schedule for a new staff position for the credit union.

- A. Board of Directors
- B. Supervisory Committee
- C. Staff
- D. Management

ANSWER: A

56. The official record of actions at a Board of Directors meeting is called the \_\_\_\_\_.

- A. Minutes
- B. MOU
- C. Agenda
- D. none of the above

ANSWER: A

57. The rules by which the Board of Directors and members are governed are called the \_\_\_\_\_.

- A. Security Contract Act
- B. Bylaws
- C. ICSC Act
- D. none of the above

ANSWER: B

58. Social investment is when:

- A. Stock ownership is used as a strategy for promoting social objectives.
- B. Stockholders invest only in environmentally proactive companies.
- C. A board of directors decides to increase their company's social capital.
- D. Companies invest in government bonds

ANSWER: A

59. Which of the following is a shortcoming of shareholder board elections?

- A. The proxy ballot often does not offer a choice of alternative candidates.
- B. Absent owners can vote by proxy.
- C. A nominating committee is responsible for developing a list of candidates.
- D. The nominating committee works with the CEO and chairperson.

ANSWER: C

60. Which of the following is not a responsibility of the board of directors?

- A. Developing broad company policies.

- B. Developing an employee training program.
- C. Reviewing management performance.
- D. Selecting top-level personnel to carry out the company's objectives.

ANSWER: B

61. The primary motivation of most stockholders is to:

- A. Make money from their investments.
- B. Achieve social objectives.
- C. Achieve ethical objectives.
- D. Elect board members.

ANSWER: A

62. Which of the following is an argument justifying high executive compensation?

- A. High salaries drive stock prices up in bear markets.
- B. High salaries curb the tendency of managers to take risks
- C. High salaries provide an incentive for innovation.
- D. High salaries minimize government regulations

ANSWER: C

63. Which of the following procedures would an accountant most likely perform during an engagement to review the financial statements of a nonissuer?

- A. Review the predecessor accountant's working papers.
- B. Inquire of management about related party transactions.
- C. Corroborate litigation information with the entity's attorney.
- D. Communicate internal control deficiencies to senior management

ANSWER: B

64. Which of the following procedures would an auditor most likely perform regarding litigation?

- A. Confirm directly with the clerk of the court that the client's litigation is properly disclosed
- B. Discuss with management its policies and procedures for identifying and evaluating litigation.
- C. Inspect the legal documents in the client's lawyer's possession regarding pending litigation.
- D. Confirm the details of pending litigation with the client's adversaries' legal representatives

ANSWER: B

65. Which of the following is not the mandatory recommendations from the Narayanana Murthy Committee Report?

- A. Nominee directors
- B. Risk Management
- C. Code of Conduct
- D. Postal Ballot

ANSWER: D

66. Which of the following statements is true regarding analytical procedures in a review engagement?

- A. Analytical procedures are not required to be used as a substantive test.
- B. Analytical procedures do not involve comparisons of recorded amounts to expected amounts.
- C. Analytical procedures involve the use of both financial and nonfinancial data
- D. Analytical procedures are required to be used in the final review stage

ANSWER: C

67. For which of the following professional services must CPAs be independent?

- A. Management advisory services.

- B. Audits of financial statements.
- C. Preparation of tax returns.
- D. All three of the above.

ANSWER: B

68. Which of the following would be a consideration in planning an auditor's sample for a test of controls?

- A. Preliminary judgments about materiality levels.
- B. . The auditor's allowable risk of assessing control risk too high.
- C. The level of detection risk for the account.
- D. The auditor's allowable risk of assessing control risk too low.

ANSWER: D

69. Who is an inside directors

- A. Who is an inside directors
- B. Who is an inside directors
- C. Who is an inside directors
- D. Who is an inside directors

ANSWER: D

70. Who is an non-executive chairman ?

- A. Rules of corporate governance adopted by corporations.
- B. A document issued by a state government to create a corporation.
- C. Rules of corporate governance adopted by corporations.
- D. Rules of corporate governance adopted by corporations.

ANSWER: D

71. The presence of independent directors would improve \_\_\_\_\_.

- A. Board effectiveness
- B. Board independence
- C. Board performance
- D. Corporate governance

ANSWER: D

72. The credibility and effectiveness of a non executive director in the board room will depend on \_\_\_\_\_

- A. Qualifications
- B. His ability to acquire governance as well as company specific knowledge and skills
- C. Adaptability
- D. Capability to align his objectives with the objectives of the company

ANSWER: B

73. As regards, disclosure regarding changes in accounting policies in the CEO/CFO certificate \_\_\_\_\_

- A. No disclosure is required to be made.
- B. Significant changes should be disclosed only on directive of the SEBI.
- C. Significant changes should be disclosed.
- D. Changes in the accounting policies in the last two years should be made

ANSWER: C

74. Which one of the following statements is correct?

- A. The most important type of large shareholder across continental Europe is holding companies and industrial companies.
- B. Surprisingly, control by banks is relatively low in continental Europe

C. Apart from the UK and the Netherlands, institutional investors are relatively unimportant.

D. All the above

ANSWER: D

75. Contractual corporate governance relates to ...

A. Shareholder protection offered by the country's legal system.

B. Managerial compensation contracts.

C. The ways whereby firms can improve their corporate governance beyond their country's standards.

D. Improving national corporate governance regulation via codes of best practice.

ANSWER: C

76. The evidence on the effectiveness of non-executive/ outside directors is conclusive and suggests that the latter increase firm value and performance.

A. No, the existing evidence is as yet inconclusive.

B. No, the existing evidence suggests that non-executives reduce firm performance and value.

C. The existing evidence suggests that non-executives increase firm value, but only if they dominate the board of directors.

D. None of the above

ANSWER: A

77. The typical firm from continental Europe and most of Asia is characterised by ...

A. Concentrated ownership and strong control.

B. Concentrated ownership and weak control.

C. Dispersed ownership and weak control.

D. Dispersed ownership and strong control.

ANSWER: D

78. The main corporate governance problem outside the UK and the USA is ...

A. The principal-agent problem.

B. The expropriation of the minority shareholders by the large, controlling shareholder.

C. Hostile takeovers

D. Excessive dividend

ANSWER: C

79. Who is a non-executive chairman ?

A. Rules of corporate governance adopted by corporations

B. A document issued by a state government to create a corporation.

C. It mandates a system run by the shareholders to protect whistle blowers

D. A chairman of the board who is not an executive of the corporation

ANSWER: D

80. A board member is independent when

A. She is a family member of the CEO.

B. She has no relationship of any kind whatsoever with the corporation, its group or the management of either that is such as to colour her judgement.

C. She represents the shareholders - not other constituencies.

D. She is a top executive of the company supervised.

ANSWER: B

81. Which of the following would be a consideration in planning an auditor's sample for a test of controls?

A. Preliminary judgments about materiality levels.

- B. The auditor's allowable risk of assessing control risk too high.
- C. The level of detection risk for the account.
- D. The auditor's allowable risk of assessing control risk too low.

ANSWER: D

82. For which of the following professional services must CPAs be independent?

- A. Management advisory services.
- B. Audits of financial statements.
- C. Preparation of tax returns.
- D. All three of the above.

ANSWER: B

83. Which of the following statements is not the role of directors?

- A. A Board should anticipate business events
- B. Directors should make clear their stand on issue
- C. Directors should have long-term focus and stake holder interest
- D. Should formulate new reforms

ANSWER: D

84. An independent director is also called a \_\_\_\_\_

- A. Nominee Director
- B. Non-executive Director
- C. Part time director
- D. NRI Director

ANSWER: B

85. Which of the following procedures would an auditor most likely perform regarding litigation?

- A. Confirm directly with the clerk of the court that the client's litigation is properly disclosed.
- B. Discuss with management its policies and procedures for identifying and evaluating litigation.
- C. Inspect the legal documents in the client's lawyer's possession regarding pending litigation.
- D. Confirm the details of pending litigation with the client's adversaries' legal representatives

ANSWER: B

86. Which of the following procedures would an accountant most likely perform during an engagement to review the financial statements of a nonissuer?

- A. Review the predecessor accountant's working papers.
- B. Inquire of management about related party transactions.
- C. Corroborate litigation information with the entity's attorney.
- D. Communicate internal control deficiencies to senior management

ANSWER: B

87. Which of the following committees approves management strategic plans?

- A. Governance committee.
- B. Audit committee.
- C. Compensation committee.
- D. All of the above.

ANSWER: A

88. All of the following are responsibilities of the audit committee except

- A. Overseeing the financial reporting process and internal controls
- B. Hiring, firing, compensating, and overseeing the audit work of external auditors.

- C. Ensuring the company meets or exceeds estimated quarterly earnings.
- D. Preapproving all services provided by the independent auditor to the company or its subsidiaries.

ANSWER: C

89. Which of the following is not a mandatory audit committee report?

- A. Formal quarterly report to the company's shareholders and board of directors.
- B. Formal quarterly report to the company's shareholders and board of directors.
- C. Formal annual report to the company's shareholders and board of directors.
- D. All of the above are mandatory audit committee reports.

ANSWER: B

90. Corporations have a management team consisting of which of the following

- A. CEO.
- B. CFO.
- C. Controller.
- D. All of the above

ANSWER: D

91. CEO pay is negatively related to skill when:

- A. There is no large shareholder to monitor management.
- B. The CEO has been paid largely in options and stocks.
- C. The firm has a large shareholder.
- D. None of the above.

ANSWER: A

92. Which are the categories of the fundamental provisions of the Sarbanes-Oxley Act of 2002.

- A. Corporate governance.
- B. Financial reporting.
- C. Audit functions
- D. All of the above

ANSWER: D

93. The primary focus of SOX was to improve the \_\_\_\_\_ of public financial reports.

- A. Reliability.
- B. Transparency.
- C. Transparency.
- D. All of the above.

ANSWER: D

94. Who approve a salary schedule for a new staff position for the credit union.

- A. Board of Directors
- B. Supervisory Committee
- C. Staff
- D. Management

ANSWER: A

95. To authorize the introduction of checking accounts as a new service for the members are done by

- 
- A. Board
  - B. Staff
  - C. Management

D. Credit committee

ANSWER: A

96. The effectiveness of corporate governance depends on:

- A. Compliance with state and federal statutes.
- B. Compliance with listing standards.
- C. Compliance with best practices recommended by investor activists and professional organizations.
- D. All of the above.

ANSWER: D

97. Interpretations of the rules regarding independence allow an auditor to serve as:

- A. a director or officer of an audit client.
- B. an underwriter for the sale of a client's securities.
- C. a trustee of a client's pension fund.
- D. an honorary director for a not-for-profit charitable or religious organization.

ANSWER: D

98. Shareholder wealth" in a firm is represented by:

- A. The market price per share of the firm's common stock
- B. The amount of salary paid to its employees .
- C. The book value of the firm's assets less the book value of its liabilities
- D. The number of people employed in the firm

ANSWER: A

99. A major advantage of the corporate form of organization is:

- A. Ease of organization
- B. Limited owner liability
- C. Legal restrictions
- D. Reduction of double taxation

ANSWER: B

100. Corporate governance is the.

- A. Relationship and exercise of oversight by the board of directors of the company
- B. Relationship between the chief financial officer and institutional investors
- C. Operation of a company by the chief executive officer and other senior executives on the management team
- D. Governance of the company by the board of directors with a focus on social responsibility

ANSWER: A

101. Which corporate governance report focused specifically on non-executive directors?

- A. The Cadbury Report
- B. The Greenbury Report
- C. The Hampel Report
- D. The Higgs Report

ANSWER: D

102. Which ONE of the following is not a valid difference between executive and non-executive directors?

- A. Executive directors work full-time, whereas non-executive directors work part-time
- B. Executive directors are involved in the management of the company, whereas non-executive directors are not expected to be involved in management.
- C. Executive directors tend to be paid considerably more than non-executive directors.

D. Non-executive directors should be independent, whereas the executives will usually not be.

ANSWER: B

103. Which ONE of the following would not be described as an institutional investor?

- A. Banks
- B. Pension funds
- C. Insurance companies
- D. Employees holding shares through an employee share scheme

ANSWER: D

104. The liability of members if company is limited by shares

- A. unpaid value of shares
- B. guarantee amount
- C. unlimited liability
- D. none of the above

ANSWER: D

105. Amount due on redemption including interest should be claimed with in \_\_\_\_\_ years

- A. 10
- B. 9
- C. 8
- D. 7

ANSWER: D

106. Failure to convene AGM u/s 166 penalty will be

- A. 50000+250per every day
- B. 75000+250per every day
- C. 100000+250per every day
- D. 25000+250per every day

ANSWER: A

107. Interpretations of the rules regarding independence allow an auditor to serve as:

- A. a director or officer of an audit client.
- B. an underwriter for the sale of a client's securities.
- C. a trustee of a client's pension fund.
- D. an honorary director for a not-for-profit charitable or religious organization

ANSWER: D

108. Common stock that is widely distributed among individuals describes what type of corporate governance structure?

- A. Public.
- B. Market.
- C. Supervisory.
- D. Network.

ANSWER: B

109. Which of the following is an opportunity for an organisation

- A. High labour turnover
- B. Establishing Internet sales
- C. Good product development
- D. Good financial control

ANSWER: B

110. A 'key player' is a stakeholder with which of the following?

- A. Medium interest and high power
- B. High interest and low power
- C. High interest and high power
- D. Medium interest and medium power

ANSWER: C

111. Which of the auditor's four defenses is ordinarily not available in third -party lawsuits?

- A. Absence of causal connections
- B. Non-negligent performance
- C. Contributory negligence
- D. Lack of duty

ANSWER: C

112. Which of the following is least likely an example of fraudulent financial reporting?

- A. An employee steals inventory, and the shortage is covered up by included it as part of the cost of goods sold.
- B. Company management falsifies inventory count tags for the purpose of overstatement of inventory closing balance.
- C. An employee borrows loose tools from the store of the company and subsequently forgets to return it.
- D. A staff diverts customer payments to his personal use and the concealing this by writing off the related accounts receivable.

ANSWER: C

113. The person who bears primary responsibility for preventing fraud in an organisation is

- A. Audit committee established by the board of directors of the company
- B. Internal auditor of the company
- C. External auditor of the company
- D. Management of the company

ANSWER: D

114. Which one of the following statements is true?

- A. Corporate governance addresses the principal-agent relationship between management and directors on the one hand and the relationship between the company and suppliers on the other.
- B. It is the responsibility of internal audit to design and monitor controls that reasonably assure that objectives are met.
- C. The management board approves the mission, vision, objectives and strategy of the entity.
- D. Conflicts of interests between management and stakeholders can result in bankruptcies or major frauds.

ANSWER: D

115. Common stock that is widely distributed among individuals describes what type of corporate governance structure?

- A. Supervisory.
- B. Market.
- C. Network.
- D. Public.

ANSWER: B

116. The Sarbanes-Oxley Act requires that executive officers attest to all the following except:
- A. All deficiencies in internal control or any fraud has been disclosed to regulators.
  - B. Based on their knowledge there are no untrue statements or omissions of material fact.
  - C. The statements fairly present the company's financial condition.
  - D. Their conclusions about effectiveness of internal control.

ANSWER: A

117. In a two-tier structure of corporate governance:
- A. Members of the supervisory board are appointed by the executive board.
  - B. CEO and chair of the board are split.
  - C. The chair of the non-executive board is also chair of the executive board.
  - D. Non-executives are responsible for the day-to-day operations.

ANSWER: B

118. Which of the following is not a responsibility of audit committees?
- A. Management compensation.
  - B. Relations with the independent auditor.
  - C. Reviewing corporate reporting processes.
  - D. Monitoring management.

ANSWER: A

119. The 2012 EU Commission Communication 'Action Plan :European company law and corporate governance' strives to:

- A. Improve the framework for cross-border operation of companies.
- B. Enhance competition between companies and investors.
- C. Prevent countries from introducing a two-tier board structure.
- D. Encourage short-term shareholder engagement.

ANSWER: D

120. The OECD Guidelines promotes principles and standards of behaviour in all of the following areas: except

- A. Finance
- B. Human Rights
- C. Labour Relations
- D. Consumer Protection

ANSWER: D

121. Sustainability reporting consists of:

- A. Environmental issues.
- B. Economic, social and environmental issues.
- C. Social and environmental issues.
- D. Economic issues.

ANSWER: B

122. According to Anglo-Saxon best practice, the board represents:

- A. The employees.
- B. Minority shareholders.
- C. All constituencies.
- D. Shareholders - not other constituencies.

ANSWER: D

123. According to best practice the audit committee:
- A. Selects the auditor.
  - B. Nominates the executive board.
  - C. Is responsible for designing adequate internal controls.
  - D. Oversees the accounting department.

ANSWER: A

124. A whistleblower procedure should be implemented:
- A. To support the internal audit department.
  - B. For receipt, retention and treatment of complaints received by the company.
  - C. As a tool of public relations.
  - D. As a tool of management.

ANSWER: C

125. An internal audit department:
- A. Guarantees reliable information processing.
  - B. Reports directly to the shareholders.
  - C. Is managed by the external auditor.
  - D. Is a tool of management.

ANSWER: D

126. The director position that is utilized in CEO duality situations to keep the board objective and independent of management is the:
- A. Lead director.
  - B. Covering director.
  - C. Prime director.
  - D. None of the above.

ANSWER: A

127. A board that is elected in a classified system is known as
- A. Diversified board.
  - B. Staggered board.
  - C. Rotating board.
  - D. Declassified board

ANSWER: B

128. What are the key functions of the nominating, audit, governance, and compensation committees?
- A. Reviewing the performance of the current directors.
  - B. Assessing the need for new directors.
  - C. Identifying and evaluating the skills, background, diversity, and knowledge of candidates for the board.
  - D. ALL OF THE ABOVE

ANSWER: D

129. What characteristics define a good director?
- A. Provides valuable input.
  - B. Has business knowledge.
  - C. Contributes to committee work
  - D. All of the above

ANSWER: D

130. Which of the following is not among the three board committees required by the listing standards of national stock exchanges?

- A. Audit committee.
- B. Nominating committee.
- C. Finance committee.
- D. Compensation committee

ANSWER: C

131. What is found in the audit strategy?

- A. Scope, nature, procedures, and timing of all internal audit activities.
- B. Procedures and timing of all internal audit activities and the fees associated with the audit.
- C. Scope and nature of all internal audit activities and the fees associated with the audit.
- D. Fees associated with the audit.

ANSWER: A

132. The second tier of the stakeholder hierarchy consists of all of the following except:

- A. Creditors.
- B. Employees.
- C. Shareholders.
- D. Suppliers

ANSWER: C

133. \_\_\_\_\_ constituted a meeting on January 2000, based on recommendations of Kumar Mangalam Birla Committee on Corporate Governance.

- A. SEBI
- B. CII
- C. RBI
- D. OECD

ANSWER: A

134. Who is the custodian of investor interests in India?

- A. CII
- B. RBI
- C. SEBI
- D. None of these

ANSWER: C

135. Effective corporate governance does all of the following except:

- A. Ensure corporate accountability.
- B. Enhance the integrity and efficiency of the capital market.
- C. Eliminate the prospect of fraud within an organization.
- D. Enhance the reliability and quality of public financial information.

ANSWER: C

136. Which of the following is not a key corporate gatekeeper?

- A. Board of directors.
- B. External auditor.
- C. Governmental oversight bodies
- D. Legal counsel.

ANSWER: C

137. Which of the following are not considered third-tier stakeholders?

- A. Employees.
- B. Customers.
- C. Suppliers.
- D. Creditors

ANSWER: D

138. The primary stakeholders are:

- A. Customers.
- B. Suppliers.
- C. Shareholders.
- D. Creditors

ANSWER: C

139. Suppliers and customers reward good corporate performance by:

- A. Actively and favorably doing business with the company.
- B. Investing in the company at the lower desired rate of return of investment.
- C. Disinvesting or demanding a higher rate of return on their investment.
- D. Giving extra benefits to the management of the company.

ANSWER: A

140. Which of the following does not effectively characterize the post-SOX era:

- A. A change in the regulatory framework for the auditing profession through the establishment of the PCAOB.
- B. The move toward more transparent and timely financial reports.
- C. A redefining of roles and responsibilities of those who are directly or indirectly involved in the financial reporting process.
- D. The reduction of the importance and role of ethics within publicly traded companies.

ANSWER: D

141. Congress passed the Sarbanes-Oxley Act of 2002 to:

- A. Enhance the burden of financial reporting.
- B. Establish a new regime of investor protection.
- C. Increase the workload of auditors of public companies.
- D. Provide more protection to the managers of public companies.

ANSWER: B

142. The improvement of corporate governance and financial reporting by SOX should add the following benefits except:

- A. Improved investor confidence.
- B. Increased firm value.
- C. Decreased cost of capital.
- D. Increased audit fees.

ANSWER: D

143. Which of the following would be an example of a corporate gatekeeper?

- A. Independent and competent board of directors.
- B. Independent and competent external auditor.
- C. Objective and competent legal counsel or financial advisor.
- D. All of the above would be an example of a corporate gatekeeper.

ANSWER: D

144. Conflicts of interest among corporate governance participants are referred to as an:
- A. "Anything you can do, I can do better" problem.
  - B. Alignment problem.
  - C. Agency problem.
  - D. There are no conflicts of interest among corporate governance participants

ANSWER: C

145. The corporate governance structure of a company reflects the individual companies':
- A. Cultural and economic system.
  - B. Legal and business system.
  - C. Social and regulatory system.
  - D. All of the above.

ANSWER: D

146. One of the objectives of the Sarbanes-Oxley Act was to:
- A. Increase the cost of compliance with federal regulations.
  - B. Force foreign companies to de-list from U.S. capital market exchanges.
  - C. Improve the quality and transparency of financial reporting.
  - D. Increase the compliance burden for small companies.

ANSWER: C

147. Which of the following is not an aspect of corporate governance reporting/disclosures?
- A. Financial position and earnings analysis.
  - B. Compensation policy for directors and officers.
  - C. Material information on multiple bottom lines sustainability performance.
  - D. Major share ownership and voting rights

ANSWER: A

148. Which of the following is not a primary source of corporate governance in the U.S.?
- A. Federal securities laws.
  - B. Best practices.
  - C. Listing standards.
  - D. All of the above are primary sources of corporate governance in the U.S.

ANSWER: D

149. An example of an internal governance mechanism is a(n):
- A. Shareholder activist.
  - B. Shareholder proposal.
  - C. Audit committee.
  - D. Federal statute.

ANSWER: C

150. The corporate governance structure is shaped by:
- A. Internal governance mechanisms.
  - B. Policy interventions through regulations.
  - C. Policy interventions through regulations.
  - D. All of the above.

ANSWER: D

151. Audit committees should utilize internal auditor services in fulfilling their oversight responsibilities

over:

- A. Financial reporting.
- B. Internal controls.
- C. Audit activities
- D. All of the above.

ANSWER: D

Staff Name  
Vijayakumar N C.