

**24****CORPORATE GOVERNANCE-  
CONFLICTS, MECHANISMS,  
RISKS, AND BENEFITS**

1. Smith Company's board of directors assigns responsibilities to several committees. The committee that is most likely to be responsible for establishing the chief executive officer's compensation package is Smith's:
  - (A) remuneration committee.
  - (B) risk committee.
  - (C) governance committee.
  
2. Risks that may arise from ineffective corporate governance least likely include:
  - (A) reduced default risk.
  - (B) less effective decision making.
  - (C) weaker financial performance.
  
3. A principal-agent relationship most likely exists between a company's:
  - (A) customers and suppliers.
  - (B) directors and regulators.
  - (C) shareholders and managers.
  
4. Responsibilities of a board of directors' nominations committee are least likely to include:
  - (A) evaluating the independence of directors.
  - (B) recruiting qualified members to the board.
  - (C) selecting an external auditor for the company

