Reading 24

CORPORATE GOVERNANCE- CONFLICTS, MECHANISMS, RISKS, & BENEFITS

1. (A) remuneration committee.

Explanation

Compensation for a company's senior executives is typically a responsibility of a remuneration or compensation committee.

(Module 24.1, LOS 24.b)

2. (A) reduced default risk.

Explanation

Ineffective corporate governance is likely to increase default risk.

(Module 24.1, LOS 24.c)

3. (C) shareholders and managers.

Explanation

The relationship between shareholders and managers is a principal-agent relationship. Shareholders, as principals, through the board of directors hire managers, as agents, to act in the best interests of the shareholders.

(Module 24.1, LOS 24.a)

4. (C) selecting an external auditor for the company.

Explanation

Selecting an external auditor (subject to shareholder approval) is a responsibility of the Board's audit committee.

(Module 24.1, LOS 24.b)