

Name:	
Enrolment No:	

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, May 2019

Course: Corporate Governance
Programme: LL.M. Business Law

Semester: II
CC:CLCC7009

Time: 03 hrs.

Max. Marks: 100

Instructions: Separate instructions are given for all the sections in the Question Paper. Please attempt accordingly

SECTION A

S. No.		Marks	CO
	Write a crisp note on the following (<i>minimum 4 sentences</i>):		
1	Stewardship Code	2	1
2	"Corporate Boards are also involved in women empowerment."	2	3
3	Triple Bottom-Line	2	1
4	Integrated Reporting	2	1
5	SEBI's role in promoting Corporate Governance	2	1

SECTION B

6	Enumerate the rights of shareholder under SEBI Listing Obligations and Disclosure Requirement (LODR) Regulations, 2015	5	2
7	Elaborate any five OECD Principles of Corporate Governance.	5	4
8	" <i>Board and executive leaders need to work together based on mutual respect, trust and commitment</i> ". In the light of this statement discuss in brief the relationship between the Board and Executive Management.	10	3

SECTION-C

9	"Corporate governance is needed to create a corporate culture of transparency, accountability and disclosure. It refers to compliance with all the moral and ethical values, legal framework and voluntarily adopted practices." Comment on this statement and explain the need for corporate governance.	10	2
10	You are Company Secretary of a listed company. You have been asked to prepare report on corporate governance to be included in the annual report of the company. Briefly explain the major contents of such report.	10	3

SECTION-D

11	<p>Ebbers built WorldCom from a small telecommunications company into a global giant. It all started back in 1984, when he invested in a local long-distance phone company. Soon he was invited to manage it. He made it grow through a series of aggressive, even audacious mergers. Eventually, it became a publically traded corporation with annual revenues of \$39 billion. As the company grew, so did Ebbers's wealth, but his extravagant spending forced him to use all of his WorldCom stock as collateral for bank loans to pay his debts. If its price fell too far, he would be bankrupt. About this time in 1990s, the dot-com investment bubble burst. WorldCom's revenue declined and expenses for its world-spanning fibre optic network rose more than anticipated. According to later investigations, in 2000, Ebbers gave the first in a string of instructions to his Chief Financial Officer to report false revenues and use accounting tricks to disguise rising expenses. The share prices held. However, internal auditors discovered the deceit and reported it to the Securities and Exchange Commission (SEC). The agency started an investigation. WorldCom's Board of directors forced Ebbers to resign. Soon the truth came out and WorldCom shares lost 90% of their value. In 2002, WorldCom set a record in failure, breaking Enron's previous total for the largest bankruptcy in American history. Although the company ultimately survived, 17,000 workers lost their jobs and investors lost billions. The purpose of Corporate Governance is to improve governance in the corporate but the story of WorldCom presented above puts a question mark on the sanctity of Corporate Governance. Analyse the failure of Corporate Governance and give recommendations to keep future company operations in order and avoid others from following the footsteps of Ebbers even though he was forced by the Board of directors to resign.</p>	15	2,3,4
12	<p><i>“Efficient corporate governance requires a clear understanding of the respective roles of the Board and of senior management and their relationships with others in the corporate structure. The relationships of the Board and management shall be characterized by sincerity; their relationships with employees shall be characterized by fairness; their relationships with the communities in which they operate shall be characterized by good citizenship; and their relationships with government shall be characterized by a commitment to compliance.”</i> - Corporate Governance Guidelines of Wipro Ltd.</p> <p>Write a detailed note how the company works on their relationships with the communities in which they operate. Explaining Business Responsibility Reports (BRR), comment whether it has contributed to this mission.</p>	10	3, 4
13	<p>“State-Owned Enterprises (SOEs) (also referred to as public sector enterprises (PSEs) or public sector undertakings (PSUs)) form an important part of the industrial and commercial sectors in India. Being substantially owned by the Government, they face business challenges as well as corporate governance issues that are somewhat unique in nature.”</p> <p>Discuss the key challenges of ensuring corporate governance in SOEs and how these are being handled by the government are.</p>	10	3, 4

14	<p>Audit committees are the most common type of committee and are mandatory in certain countries and for certain companies. Audit committees are often established even in smaller, non-listed companies in order to ensure that time-consuming activities, such as the review of the company's accounts, are performed more efficiently and that a company benefits from the experience of board members who have financial expertise.</p> <p>Discuss the composition and role of audit committee. How does audit committee ensures that there is internal control mechanism in place.</p>	15	3, 4
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SECTION A (10 Marks)

S. No.		Marks	CO
	Write a crisp note on the following (<i>minimum 4 sentences</i>):		
1	SCORES	2	1
2	Role of NFRA	2	1
3	Corporate Governance in State Owned Enterprises (SOEs)	2	1
4	Sources of Corporate Governance	2	1
5	Succession Planning of the Board	2	1

SECTION B (20 Marks)

6	Explain the role of the CSR Committee and its role in Corporate Governance Framework. How this results into the promotion of SDGs?	5	3
7	Discuss the function of CSR Committee	5	3
8	Discuss the 'Agency Problem' in detail and elaborate whether corporate governance provides a solution for tackling this problem. In the light of the following statement: " <i>The institutional investors should use their powers and influence to ensure the implementation of the best practices set out in the Combined Code (2008)</i> ", discuss the principles of good corporate governance for the Institutional Shareholders in Indian scenario.	10	1, 2

SECTION-C (20 Marks)

9	<p><i>“Stakeholder engagement provides opportunities to further align business practices with societal needs and expectations, helping to drive long-term sustainability and shareholder value”</i>. In the context of this, discuss key principles of stakeholder engagement and role of class action suits in India.</p>	10	3
10	<p><i>“The OECD Principles on Corporate Governance are intended to help policymakers evaluate and improve the legal, regulatory, and institutional framework for corporate governance, with a view to support economic efficiency, sustainable growth and financial stability”</i>.</p> <p>(a) Critically analyze how India has adopted the OECD Principles into its Corporate Governance Framework.</p> <p>(b) Also enumerate any four major reforms recommended by the Kotak Mahindra Committee on Corporate Governance.</p>	10	4
SECTION-D (50 Marks)			
11	<p>The Board of ABC Ltd. wishes to establish a vigil mechanism in the company. As a Company Secretary, guide the company on the legal framework under the Companies Act, 2013 and SEBI LODR.</p>	10	
12	<p>In smaller or newer businesses, founders or managers usually control all operational processes, and all expenditures are approved by them. However, as the company grows, some decisions need to be delegated, making it crucial to establish more formal processes and corresponding controls.</p> <p>Discuss some of these control mechanism in the companies. Do you agree that effective monitoring of the internal control system needs to be performed by management on a continuous basis?</p>	15	
13	<p>Board Evaluation is the most effective way to ensure Board members understand their duties and to adopt effective good governance practices. To be effective, boardroom appraisals need to have specific, clearly defined steps and practices, and a special commitment from the Board.</p> <p>As a consultant, advise a company on the steps to be followed and key parameters to be covered in a board evaluation.</p>	10	
14	<p>A recent article in the <i>Northwestern Business Review</i> pulls no punches with its article <i>“Do Away with the Executive Committee”</i>. They write: <i>“Every board member wants to be on the Executive Committee. That's where the real power of the board rests. As a director, you have arrived when you become a member of the Executive Committee, and you hold onto your perks as long as you can, with fingernails and toenails gripped firmly into the mahogany board table. The Executive Committee should be disbanded and discarded. Just get rid of it. If all board members believe the Executive Committee is the seat of power and the most prestigious committee, they will not be easily convinced to serve on</i></p>	15	

other committees that are as important, if not more important, than the Executive Committee.”

Critically evaluate the role of executive committees of the Board giving examples.