

## CORPORATE GOVERNANCE

### Multiple Choice Questions

1. The framework for establishing good corporate governance and accountability was originally setup by

- a) Nestle committee
- b) Rowntree committee
- c) Cadbury committee
- d) Thornton committee

2. Which of the following is not one of the underlying principles of the corporate governance combined code of practice?

- a) Accountability
- b) Openness
- c) Acceptability
- d) Integrity

3. External audit of the accounts of a limited company is required?

- a) Because it is demanded by the company's bankers
- b) By the companies act 2006
- c) At the discretion of the shareholders
- d) To detect fraud

4. Directors responsibilities are unlikely to include

- a) a duty to keep proper accounting records
- b) a fiduciary duty
- c) a duty to propose high dividends for shareholders
- d) a duty of care

5. A company may become insolvent if it

- a) makes a loss
- b) has negative working capital
- c) cannot meet its budgeted level of profit
- d) cannot pay creditors in full after realisation of its assets

6. Fraudulent trading may be
- a) a criminal offence committed only by directors of a limited company
  - b) a civil and a criminal offence committed by an employee
  - c) a civil and a criminal offence committed only by directors of a limited company
  - d) a civil offence committed by an employee
7. A director of a limited company may not be liable for wrongful trading if he or she
- a) increased the valuation of its inventories to cover any potential shortfall
  - b) brought in some expected sales from next year in to the current year
  - c) took every step to minimise the potential loss to creditors
  - d) introduce into the balance sheet an asset based on a valuation of its brands sufficient to meet any shortfall
8. Disqualification of directors may result from breaches under the
- a) Health and Safety Act
  - b) Financial Services Act
  - c) Sale of Goods Act
  - d) Companies Act
9. According to clause 49 on independent directors. What should be minimum age of independent director.
- a) 21
  - b) 22
  - c) 23
  - d) 24
10. who formed the ICGN?
- a) European governments
  - b) US share holders
  - c) Pension funds
  - d) Stock markets
11. A company cannot issue redeemable preference shares for a period exceeding
- a) 5 years
  - b) 10 years
  - c) 15 years
  - d) 20 years
12. which one is the dimension(approach) of corporate social responsibility?
- a) Corporate philanthropy
  - b) Stake holders priorities and sustainable development
  - c) Ethical business
  - d) All of the above
13. According to clause 49 on independent directors. What can be maximum tenure of independent director.
- a) 2 terms of 5 years each
  - b) 3 terms of 5 years each
  - c) 2 terms of 10 years each
  - d) 3 terms of 4 years each

14. According to section 179 which one of the following is a power of director?
- a) To buy back its shares
  - b) Sell lease or otherwise dispose of the undertakings of the company
  - c) Remit or give time for the repayment of any debt due by a director
  - d) Making political contributions exceeding specified limits
15. What is kieretsu
- a) Pension fund
  - b) Corporate group
  - c) Stock exchange
  - d) Futures Market
16. The concept of Corporate Social Responsibility originated in which time period?
- a. 1920's and 1930's
  - b. 19th Century
  - c. 1980's and 1990's
  - d. 1960's and 1970's
17. Worldwide, about \_\_\_\_\_ percent of businesses in the private sector are small or medium sized.
- a. 80
  - b. 85
  - c. 90
  - d. 99
18. The generally accepted definition of a small business is one with \_\_\_\_\_ or fewer employees.
- a. 10
  - b. 20
  - c. 25
  - d. 50
19. The generally accepted definition of a medium business is one with \_\_\_\_\_ or fewer employees.
- a. 50
  - b. 100
  - c. 200
  - d. 250
20. In the United States, small or medium sized businesses provide over \_\_\_\_\_ percent of total employment.
- a. 25
  - b. 40
  - c. 50
  - d. 75
21. Owners of stock in a corporation are only liable for \_\_\_\_\_.
- a. the amount they have invested in the company's stock
  - b. their personal assets
  - c. the amount they have invested in the company's stock and their personal assets
  - d. none of the above.
22. A \_\_\_\_\_ of an issue consists of weighing and balancing all of the competing demands on a firm by each of those who have a claim on it.
- a. stakeholder analysis
  - b. board of directors analysis
  - c. corporation analysis
  - d. management analysis

23. The \_\_\_\_\_ that corporations must meet is “do no harm”.
- a. moral obligation
  - b. moral minimum
  - c. moral requirement
  - d. moral duty
24. In large corporations, the \_\_\_\_\_ is/are the legal overseers of management.
- a. CEO
  - b. shareholders
  - c. board members
  - d. none of the above
25. The \_\_\_\_\_ position is that a corporation can and should be evaluated not only in terms of its financial bottom line, but also in terms of its environmental bottom line and its social/ethical bottom line.
- a. Bottom line
  - b. Double Bottom line
  - c. Triple Bottom line
  - d. Final line
26. Triple Bottom Line reporting refers to:
- a. using a low, medium and high estimates for profitability forecasts.
  - b. measuring the impact of the firm on stockholders, customers and employees.
  - c. measuring the social, environmental, and financial performance of the firm.
  - d. measuring the impact of local, state, and federal governments on the firm.
27. Corporate governance can be defined as:
- a. the system used by firms to control the actions of their employees.
  - b. the election process used to vote in a new Board of Director.
  - c. the corporate compliance system used by the firm.
  - d. the system used by firms to identify who the critical stakeholders are for the firm.
28. The system that is used by firms to control and direct their operations and the operations of their employees is called:
- a. Corporate Compliance.
  - b. Corporate Governance.
  - c. Corporate Control.
  - d. Corporate Directive.
29. Which board of directors committee is responsible for the guidelines on how the board of directors should operate.
- a. Operating
  - b. Corporate governance
  - c. Corporate compliance
  - d. Guiding
30. The Sarbanes-Oxley Act was a direct response to which ethics scandals?
- a. Tyco
  - b. WorldCom
  - c. Enron
  - d. None of the above.

31. What is the name of the process in which an employee informs another responsible employee in the company about potentially unethical behavior?

- a. Whistle-blowing
- b. Purging and releasing
- c. Identification
- d. Information transfer

32. There are \_\_\_\_\_ conditions that, if satisfied, change the moral status of whistle blowing.

- a. three
- b. four
- c. five
- d. six

33. An example of a whistle blower whose actions were a form of internal government whistle blowing is:

- a. Sherron Watkins.
- b. Coleen Rowley.
- c. Cynthia Cooper.
- d. Lee Iacocca.

34. One whistle blower the text mentions is Cynthia Cooper who was the vice president of internal audit at \_\_\_\_\_.

- a. Enron
- b. WorldCom
- c. Tyco
- d. none of the above

35. One classic example of whistle-blowing is the:

- a. Ford Pinto case.
- b. Lincoln case.
- c. Toyota case.
- d. none of the above.

36. A whistle-blower:

- a. doesn't have to be a past or present member of the organization.
- b. doesn't have to report activity that is illegal, immoral, or harmful.
- c. is any employer who spreads gossip.
- d. far from being disloyal, may be acting in the best interest of the organization.

37. The Sarbanes-Oxley Act:

- a. makes it easier to fire whistle blowers.
- b. reduces the law's protection of employees who disclose securities fraud.
- c. makes it illegal for executives to retaliate against employees who report possible violations of federal law.
- d. provides penalties for blowing the whistle illegitimately or maliciously.

38. Inside traders ordinarily defend their actions by claiming that they don't injure:

- a. their boss.
- b. their family.
- c. the government.
- d. any one.

39. Shareholders have the right to know all except:

- a. Information on the management of the corporation

- b. Trade secrets
  - c. The companies financial position
  - d. The companies general plans for the future.
40. Which act provides sweeping new legal protection for employees who report possible securities fraud making it unlawful for companies to “discharge, demote, suspend, threaten, harass, or in any other manner discriminate against” them?
- a. Sarbanes-Oxley Act of 2002
  - b. Foreign Corruption Act
  - c. Economic Espionage Act
  - d. U.S. vs. O’Hagan
41. What is meant by the phrase CSR?
- a) Corporate Social Responsibility
  - b) Company Social Responsibility
  - c) Corporate Society Responsibility
  - d) Company Society Responsibility
42. What is meant by the phrase 'teleological ethics'?
- a) Is used to judge is an action is right, fair and honest.
  - b) An action can only be judged by its consequences
  - c) Developing the individual personal characteristics
  - d) The key purpose of ethics is to increase freedom.
43. What, according to Adam Smith, is the best way to promote collective interest?
- a) Through government making decisions about what is in the public interest.
  - b) Through everyone working together to support each other.
  - c) Through everyone working on their own self interest
  - d) Through individuals forgoing their personal interest for the good of the collective.
44. Why, according to stakeholder theory, is it in companies' best interests to pay attention to their stakeholders?
- a) If firms only act in their own self-interest employees may feel exploited.
  - b) If firms only act in their own self-interest government might put more regulation on them.
  - c) If firms only act in their own self-interest customers might not like the image that the company portray.
  - d) If firms only act in their own self-interest and inflict harm on stakeholders then society might withdraw its support.
45. What is the enlightened self-interest model of CSR?
- a) That it is in an organization's own best interest to put itself first rather than its ethics.
  - b) That it is in an organization's best interest to consider what a shareholder would want.
  - c) That it is in an organization's own best interest to act in an ethical way.

d) That it is in an organization's own best interest to follow the legislation and abide by the law.

46. What is green washing?

- a) Transforming products to be more ethical.
- b) Making a product appear more ethical than it really is.
- c) Converting the company to green production methods.
- d) Convincing customers to buy ethically.

47. What is triple bottom line?

- a) An accounting tool that looks at the impact on people, planet and profits.
- b) A management strategy which states all the attention should be on profits.
- c) An accounting tool that looks at cost, profit and loss.
- d) A management strategy which focuses on corporate social responsibility.

48. A \_\_\_\_\_ sets out the purpose and general direction for the organisation?

- a) Mission statement
- b) Purpose statement
- c) Vision
- d) Profit statement

49. Which of the following would most effectively act as the primary objective of a business organisation?

- a) To make a profit
- b) To procure resources
- c) To communicate with shareholders
- d) To mediate between the organisation and the environment

50. What is the purpose of a balanced scorecard?

- a) To measure contribution of people to business growth
- b) To combine a range of qualitative and quantitative indicators of performance
- c) To relate business performance to customer satisfaction
- d) All of the above

51. Which of the following does the term Corporate Social Responsibility relate to?

- a) Ethical conduct
- b) Environmental practice
- c) Community investment
- d) All of the above

52. Who are organisational stakeholders?

- a) Government
- b) Employees
- c) Customers
- d) All of the above

53. What is Ethics to do with?

- a) The wider community
- b) Business
- c) Right and wrong
- d) Nothing

54. Which of the following is an example of an area where business ethics apply?

- a) Conduct of international operations
- b) Nowhere
- c) In the personal life of staff
- d) None of the above

55. Which legislation relates to the concept of business ethics?

- a) Freedom of Information Act
- b) Food Act
- c) Building regulations
- d) All of these

56. The four types of social responsibility include:

- a) legal, philanthropic, economic, and ethical
- b) ethical, moral, social, and economic
- c) philanthropic, justice, economic, and ethical
- d) legal, moral, ethical, and economic

57. The \_\_\_\_\_ dimension of social responsibility refers to a business's societal contribution of time, money, and other resources.

- a) Ethical
- b) Philanthropic
- c) Volunteerism
- d) Strategic

58. Stakeholders are considered more important to an organization when:

- a) they can make use of their power on the organization
- b) they do not emphasize the urgency of their issues
- c) their issues are not legitimate
- d) they can express themselves articulately

59. A \_\_\_\_\_ is a problem, situation, or opportunity requiring an individual, group, or organization to choose among several actions that must be evaluated as right or wrong.

- a) Crisis
- b) ethical issue
- c) indictment
- d) fraud

60. Which moral philosophy seeks the greatest good for the greatest number of people?

- a) Consequentialism
- b) Utilitarianism
- c) Egoism
- d) Ethical formalism

61. What type of justice exists if employees are being open, honest, and truthful in their communications at work?

- a) Procedural
- b) Distributive
- c) Ethical
- d) Interactional



62. A high-commitment approach to environmental issues may include all of the following except:

- a) risk analysis
- b) stakeholder analysis
- c) green-washing
- d) strategic sustainability auditing

63. Better access to certain markets, differentiation of products, and the sale of pollution-control technology are ways in which better environmental performance can:

- a) increase revenue
- b) increase costs
- c) decrease revenue
- d) decrease costs

64. Most companies begin the process of establishing organizational ethics programs by developing:

- a) ethics training programs.
- b) codes of conduct.
- c) ethics enforcement mechanisms.
- d) hidden agendas.

65. When a firm charges different prices to different groups of customers, it may be accused of:

- a) cultural relativism
- b) money laundering
- c) facilitating payments
- d) price discrimination

66. The social economy partnership philosophy emphasizes:

- a) cooperation and assistance.
- b) profit maximization.
- c) competition.
- d) restricting resources and support.

67. Which of the following is not a driver of responsible competitiveness?

- a) Policy drivers
- b) Development drivers
- c) Business action
- d) Social enablers

68. Which of the following is a problem presented by ethics audits?

- a) They may be used to reallocate resources.
- b) They identify practices that need improvement.
- c) Selecting auditors may be difficult.
- d) They may pinpoint problems with stakeholder relationships.

69. The first step in the auditing process should be to secure the commitment of:

- a) employees.
- b) top executives and directors.
- c) stockholders.
- d) customers.

70. Codes of conduct and codes of ethics

- a) are formal statements that describe what an organization expects of its employees.
- b) become necessary only after a company has been in legal trouble.

- c) are designed for top executives and managers, not regular employees.
- d) rarely become an effective component of the ethics and compliance program.

71. Which of the following is NOT one of the primary elements of a strong organizational compliance program?

- a) A written code of conduct
- b) An ethics officer
- c) Significant financial expenditures
- d) A formal ethics training program

72. \_\_\_\_\_ are standards of behaviour that groups expect of their members.

- a) Codes of conduct.
- b) Group values.
- c) Group norms.
- d) Organizational norms.

73. In a \_\_\_\_\_ organization, decision making is delegated as far down the chain of command as possible.

- a) Decentralized
- b) Creative
- c) Flexible
- d) Centralized

74. Managerial ethics can be characterised by all of the following levels except

- a) immoral management
- b) amoral management
- c) demoral management
- d) moral management

75. External audit of the accounts of a limited company is required

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80. 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
81. An organization that is owned by shareholders but managed by agents on their behalf is conventionally known as the modern:
- a) Conglomerate
  - b) Corporation
  - c) Company
  - d) Firm
82. The modern corporation has four characteristics. These are limited liability, legal personality, centralized management and:
- a) Fiduciary duty
  - b) Stakeholders
  - c) Shareholders
  - d) Transferability
83. What makes a corporation distinct from a partnership?
- a) If the members of a corporation die, the corporation remains in existence providing it has capital
  - 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
84. The term 'asymmetry of information' means information in a corporation is:
- a) Transferable to all stakeholders
  - b) Not transferable to all stakeholders
  - c) Not equally transparent to all stakeholders
  - d) Equally transparent to all stakeholders

85. The view that sees profit maximization as the main objective is known as:
- a) Shareholder theory
  - b) Principal-agent problem
  - c) Stakeholder theory
  - d) Corporation theory
86. Where an organization takes into account the effect its strategic decisions have on society, this is known as:
- a) Corporate governance
  - b) Business policy
  - c) Business ethics
  - d) Corporate social responsibility
87. Which intervention resulted from the Enron scandal?
- a) The Hampel Committee
  - b) The Sarbannes-Oxley Act
  - c) The Greenbury Committee
  - d) The Cadbury Committee
88. Periodic ethics audits
- a) Are required by the Indian stock exchange
  - b) A method of fostering ethics
  - c) A method of quantitative assessment
  - d) Always use external consultants
89. Political intrusion into business
- a) May be desirable in some circumstances
  - b) Is anathema
  - c) Politics should have no say in how business is conducted
  - d) state legislation over-rides Federal Legislation
90. Quantification in ethics may be done by
- a) Putting monetary value on prospective actions
  - b) Comparing the value of one action with another
  - c) Both A and B
  - d) Neither A or B
91. The \_\_\_\_\_ approach to formal corporate ethics initiatives is proactive and inspirational.
- a) Rules
  - b) Compliance
  - c) Principles
  - d) Values
92. The \_\_\_\_\_ approach to formal corporate ethics initiatives focuses on meeting required behaviour norms or obeying the letter of the law
- a) Rules
  - b) Compliance
  - c) Principles
  - d) Values
93. Which of the following is associated with the classical view of social responsibility?
- a) economist Robert Reich
  - b) concern for social welfare
  - c) stockholder financial return
  - d) voluntary activities



**ANSWER KEY**

1	B	21	D	41	A	61	D	81	B
2	C	22	A	42	B	62	C	82	D
3	B	23	B	43	C	63	A	83	A
4	C	24	C	44	D	64	B	84	C
5	D	25	B	45	C	65	A	85	C
6	B	26	C	46	B	66	A	86	D
7	C	27	A	47	A	67	B	87	B
8	D	28	B	48	A	68	C	88	B
9	A	29	B	49	A	69	B	89	A
10	C	30	C	50	B	70	A	90	C
11	D	31	A	51	D	71	C	91	D
12	D	32	C	52	D	72	C	92	B
13	A	33	B	53	C	73	D	93	C
14	A	34	B	54	A	74	C	94	B
15	B	35	A	55	A	75	B	95	D
16	D	36	C	56	A	76	C	96	A
17	C	37	D	57	B	77	D	97	D
18	D	38	D	58	A	78	A	98	C
19	D	39	B	59	B	79	D	99	A
20	C	40	A	60	B	80	A	100	B

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