

**International Corporate Governance 2012 Exam**  
**Saturday, April 28, 2012**  
**Exam time: 5 hours**

Maximum score is 70 points. Minimum required to pass the exam is 35 points. Avoid answers beyond two pages. Answer all questions below. Please write as clearly as possible.

- (1) The laws of most countries try to prohibit tunneling (minority shareholder expropriation). In all major legal systems, courts generally use two broad principles in dealing with tunneling: duty of care (refers to the responsibility of directors / controlling shareholders that are directors) and duty of loyalty (or fiduciary duty; addresses situations with conflict of interest). Discuss how the application of these two general principles tend to differ between civil law countries and common law countries and what implications such differences may have. [Johnson et al., 2000, "Tunneling"]

**(20p)**

- (2) Recent research shows that family ownership is rather common in publicly traded firms. Discuss performance consequences of different forms of founder and family ownership and control reported in recent research. [McVeh and Draho, 2005; Villalonga and Amit, 2006]

**(20p)**

- (3) Answer the following questions briefly:

- (a) The controlling shareholder holds 30% of firm X and firm X holds 40% in firm Z. Using Claessens et al's (2002) methodology, what is the controlling shareholder's (i) fraction of dividend rights (cash flow rights) in firm Z, and (ii) the fraction of voting rights in firm Z?
- (b) Discuss the efficiency of state ownership from a corporate governance perspective. [Shleifer and Vishny, 1997]
- (c) What are the arguments suggesting that Russia's oligarchs might improve firm performance? [Guriev and Rachinsky, 2005]
- (d) Bond et al. (2011) discuss the real effects of financial markets that stem from the informational role of market prices. Describe the two *channels* through which financial markets can have real effects.
- (e) How does a leveraged equity purchase plan (LEPP) work and what goals can it achieve in organizations? [Stewart, 1990]

**(30p)**     Good luck!