

## International Corporate Governance 2012 Exam

Friday, December 21, 2012

Exam time: 3 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) Discuss how corporate governance can occur through financial markets rather than through the exercise of control rights. Highlight your answer with examples. [Bond et al., 2011]

(20p)

- (3) Answer the following questions briefly:

- (a) Brickley et al (2003) view organizational design as an important facet of corporate governance. They use the term organizational architecture to refer to three elements of organizational design. Briefly describe the three key elements of organizational architecture.
- (b) Bénabou and Tirole (2010) discuss three visions of Corporate Social Responsibility (CSR). Briefly explain the three visions.
- (c) Discuss the efficiency of state ownership from a corporate governance perspective. [Shleifer and Vishny, 1997]
- (d) Discuss the sources of the conflict of interest between managers and shareholders. How are agency costs defined? [Lecture notes]

(30p)

Good luck!

market of competition  
product competition  
takeovers  
regulation  
dividend force  
financial institution