

**International Corporate Governance 2015 Exam**  
**Wednesday, March 11, 2015**  
**Exam time: 4 hours**

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

1. (a) Give an example of a self-dealing transaction (5p). (b) Discuss differences in the regulation of self-dealing between civil law countries (such as Italy) and common law countries (such as the UK) by relating to your example (15p).  
[Djankov et al., 2008, "The law and economics of self-dealing".]

(20p)

2. Discuss how Corporate Social Responsibility (CSR) can reduce and/or increase agency costs in corporations according to Bénabou and Tirole (2010), Brickley, Smith, and Zimmerman (1994), and Cheng, Ioannou, and Serafeim (2014).  
[Please underline your key arguments.]

(25p)

3. Answer the following questions:

- (a) Briefly discuss the five sources of the shareholder-manager conflicts (10p).  
[Please underline each source. Source: lecture slides]

- (b) Utility Co. owns a large coal-burning Power Plant (PP) on a river and each week a dozen barges (boat for carrying freight) arrive loaded with coal to feed the power plant. The Transportation Division (TD) of Utility Co. is responsible for transporting coal to the power plant, and it pays a barge company to pick up the coal at a railhead and transport it down the river. Once a barge arrives at the docks, the Power Plant (PP) is very slow to unload the coal because they have just one crew of dockworkers and they rarely work overtime on weekends. The barge company gives customers three days to unload the coal, but if it takes longer, it charges late fees of EUR500 per day. Because very few barges are unloaded within three days, the Transportation Division (TD) pays very high late fees. You can identify the problem using the following questions:

1. Who is making the bad decision?
  2. Does the Power Plant (PP) have the right information to make a good decision?
  3. Does the Power Plant (PP) have the right incentives to make good decisions?
- Please offer two solutions to the problem (15p). [Lecture slides; Brickley, Smith and Zimmerman, 2003]

(25p)

Good luck!