

Department of Accounting and Commercial Law

3735 Corporate Governance and Innovation 3735

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Examination, 20 April 2013, Vasa/Vaasa and Helsingfors/Helsinki

Time: 4 hours

Materials: No materials.

Please answer the following questions:

1. Why are there shareholders according to corporate governance theory?
2. Dr. Eve is a genius. She has invented a device that works as a cure to the common flu. She owns a Eve Ltd, a limited - liability company. The company has three board members, Dr. Eve (chairman), Mum Eve (member) and Dad Eve (member). What Dr Eve needs is € 10 million to start production of this device. Unfortunately, Dr. Eve is poor. Adam is rich. He owns a venture capital firm. He would like to invest € 10 million in Dr. Eve's business, but he wants to become a billionaire within 5 years and exit Dr. Eve's firm after five years. Please structure a transaction that helps: Dr. Eve to get € 10 million from Adam; Adam to become a billionaire within 5 years; and Adam to reduce agency costs.
3. Should the firm use the U-form or the M-form from an innovation perspective?
4. How can board structure and the composition of the board foster innovation?
5. What fosters innovation better, a trade sale or a sale to a private equity fund?

*You may take the exam paper with you, if you want. Good luck!*