

**STELLA MARIS COLLEGE (AUTONOMOUS), CHENNAI 600086**  
(For candidates admitted during the academic year 2023-2024 and thereafter)

**B.COM DEGREE EXAMINATION, APRIL 2026**  
(HONOURS)  
**FOURTH SEMESTER**

**COURSE : MAJOR CORE**  
**PAPER : CORPORATE GOVERNANCE**  
**SUBJECT CODE : 23BH/MC/CN44**  
**TIME : 3 HOURS**

**MAX. MARKS: 100**

<b>SECTION A</b>				
<b>Q. No.</b>	<b>Answer all the questions:</b>	<b>(5 x 2 = 10)</b>	<b>CO</b>	<b>KL</b>
1.	State whether each of the following statements is True or False: i. An environmental footprint measures the extent to which human activities exceed the Earth's ability to regenerate natural resources. ii. An environmental audit focuses only on measuring a company's financial performance affected by environmental factors rather than its compliance with environmental regulations.		CO1	K1
2.	List any two ways in which whistleblowing can be carried out by employees of an organisation.		CO1	K1
3.	What is the 'comply-or-explain' approach in the UK Corporate Governance Code?		CO1	K1
4.	Mention the purpose of the Birla Committee.		CO1	K1
5.	Why is corporate governance important in banks?		CO1	K1
<b>SECTION B</b>				
<b>Q. No.</b>	<b>Answer any four of the following questions:</b>	<b>(4 x 5 = 20)</b>	<b>CO</b>	<b>KL</b>
6.	Corporate governance has become increasingly important in recent decades. Explain five reasons why corporate governance has gained importance.		CO1	K2
7.	For each of the following situations, identify the relevant internal control activity from the list below. Internal Control Activities: Authorization, Documentation, Reconciliation, Security, Separation of duties. Situation 1 – At the end of each month, the accounts assistant compares the bank statement with the company's cash book and investigates any differences. Situation 2 – A warehouse employee can record inventory received, update the inventory system, and approve supplier payments without any review from another staff member. Situation 3 – Access to the accounting system requires password authentication, and sensitive files are stored in locked cabinets.		CO1	K2
8.	For each of the following situations, state whether it represents insider dealing or not insider dealing. Scenario i. A finance manager of a listed company learns that quarterly profits will be significantly lower than expected. Before the results are announced, she sells her shares through her spouse's trading account. ii. A shareholder reads an online news article predicting that a company may lose a major contract. Based on this information, he decides to sell his shares.		CO1	K2

	iii. A corporate lawyer working on a confidential takeover bid informs her close friend that the target company's share price is likely to rise. The friend purchases shares before the announcement is made.		
9.	Summarise the importance of corporate governance in banks.	CO1	K2
10.	Discuss the concept of Whistle-blowing.	CO1	K2
11.	Outline the corporate governance initiatives in India.	CO1	K2
<b>SECTION C</b>			
<b>Q. No.</b>	<b>Answer all the questions: (4 x 10 = 40)</b>	<b>CO</b>	<b>KL</b>
12.	<p>A) Global Trade Supplies Ltd is a rapidly growing trading company involved in importing and distributing consumer electronics across several countries. Due to strong revenue growth and expansion plans, the company intends to seek a listing on the stock exchange within the next year.</p> <p>The stock exchange has informed Global Trade that it must strengthen its corporate governance structure before listing. In particular, the company must formally establish four key board committees:</p> <ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Remuneration Committee</li> <li>• Risk Committee</li> <li>• Nomination Committee</li> </ul> <p>The board of directors will need to explain at the upcoming Annual General Meeting (AGM) how these committees improve governance and what their responsibilities will be.</p> <p>You have been asked to prepare briefing notes for the board.</p> <p><b>Required:</b></p> <p>(a) Briefly explain the usefulness of board committees in a company preparing for stock exchange listing. <b>(2 marks)</b></p> <p>(b) Discuss the four required committees, outlining:</p> <ul style="list-style-type: none"> <li>• Their main responsibilities, and</li> <li>• Who should be members of each committee. <b>(8 marks)</b> <p style="text-align: center;"><b>(OR)</b></p> <p>B) Apply the principles of corporate governance to explain how banks can strengthen transparency and accountability.</p> </li></ul>	CO2	K3
13.	<p>A) Ceylon Crown Exports PLC is a large international tea exporter based in Sri Lanka. The company owns several tea plantations in the central highlands, operates its own processing factories, and manages a small fleet of cargo ships to export tea to Europe, the Middle East and Asia.</p> <p>Due to expansion into new international markets and plans to strengthen corporate governance, the board has decided to appoint several Non-Executive Directors (NEDs). The company is listed on the Colombo Stock Exchange and wishes to improve board independence and oversight.</p> <p>Three candidates have applied for the role:</p> <p><b>Candidate 1 – Mr. Perera</b></p> <p>Mr. Perera is a retired Chief Financial Officer of Ceylon Crown Exports. He left the company three years ago after serving for 20 years. He has extensive knowledge of the company's financial systems and supply chain operations. He still holds shares in the company through the executive share option scheme he joined while employed.</p>	CO2	K3

	<p><b>Candidate 2 – Ms. Fernando</b> Ms. Fernando is currently the Managing Director of a large packaging supplier that has supplied tea packaging materials to Ceylon Crown for the past four years. Her company earns approximately 25% of its annual revenue from contracts with Ceylon Crown. She has strong international business experience but maintains regular commercial dealings with the company.</p> <p><b>Candidate 3 – Dr. Silva</b> Dr. Silva is an academic specialising in sustainability and international trade. She has never worked for Ceylon Crown and has no business dealings with the company. She has served as an independent director for eight years on the board of a listed logistics company. She does not own shares in Ceylon Crown and has no personal ties to senior management. The board wishes to assess the suitability of each candidate.</p> <p><b>Required:</b> (a) Explain the four key roles of a Non-Executive Director (NED). <b>(4 marks)</b> (b) Evaluate whether each of the three candidates is eligible to serve as an independent NED of Ceylon Crown Exports PLC. Provide justification for your answer. <b>(6 marks)</b></p> <p style="text-align: center;"><b>(OR)</b></p> <p>B) Illustrate how corporate governance mechanisms could have prevented the failures of companies such as Enron.</p>		
14.	<p>A) Bright Star Toys Manufacturing Ltd operates a large factory in China producing plastic toys for export to Europe and North America. The company is owned by international shareholders, while day-to-day operations are managed by a local factory manager, Mr. Li. Mr. Li’s annual bonus is directly linked to the number of toys produced each quarter. In an effort to maximise his bonus, Mr. Li focused heavily on increasing production output. As a result, the factory produced far more toys than were required by customer orders. Due to weak demand forecasting and limited warehouse capacity, thousands of toys remained unsold in storage. Many of these toys were later damaged due to humidity and poor storage conditions, resulting in significant financial losses for the company. The board of directors is concerned that the incentive structure may have encouraged behaviour that was not aligned with shareholder interests.</p> <p><b>Required:</b> (a) Explain the agency problem and relate it to the case above. <b>(5 marks)</b> (b) Explain how the directors could have reduced this problem by linking the manager’s bonus to long-term performance measures instead of short-term production output. <b>(5 marks)</b></p> <p style="text-align: center;"><b>(OR)</b></p> <p>B) Analyse the common governance problems noticed in corporate failures.</p>	CO3	K4

15.	<p>A) EcoCharge Lanka (Pvt) Ltd operates a growing network of electric vehicle (EV) charging stations across major cities and highways. The company has recently expanded into rural and coastal areas.</p> <p>Before installing new charging stations, EcoCharge organised public meetings with residents, transport operators and environmental groups to gather feedback. The company made its environmental impact assessments publicly available on its website and invited written comments.</p> <p>All projects must comply with national environmental legislation. EcoCharge submits regular compliance reports to regulators and ensures installations meet safety and sustainability standards. Independent external auditors review compliance annually.</p> <p>The company has invested in solar-powered charging hubs and energy-efficient equipment to reduce environmental impact and improve operational performance. Management regularly monitors energy usage to improve efficiency.</p> <p>EcoCharge has also established a sustainability committee that reviews community complaints, publishes annual sustainability reports, and outlines corrective actions where environmental issues arise.</p> <p><b>Required:</b> Using the following list of principles of good environmental governance, identify and explain how each principle is demonstrated in the case: Transparency, Responsibility, Effectiveness and Efficiency, Involvement, Rule of Law</p> <p style="text-align: center;"><b>(OR)</b></p> <p>B) Examine the role of the management structure in ensuring effective corporate governance.</p>	CO3	K4
<b>SECTION D</b>			
<b>Q. No.</b>	<b>Answer any one of the following questions: (1 x 15 = 15)</b>	<b>CO</b>	<b>KL</b>
16.	<p>StrideWalk Footwear Ltd is a well-established Indian shoe manufacturing company that has been listed on the Bombay Stock Exchange (BSE) for over 12 years. The company designs, manufactures and exports footwear across Asia and Europe.</p> <p>Recently, the stock exchange initiated an investigation into StrideWalk's corporate governance practices after concerns were raised regarding board composition, frequency of meetings and shareholder disclosures. As a result, the board of directors is reviewing its compliance with the Birla Committee recommendations on Corporate Governance.</p> <p>You have been asked to assist the board in distinguishing between mandatory and non-mandatory requirements under the Birla Committee recommendations.</p> <ol style="list-style-type: none"> <li>The company must have an optimal mix of executive and non-executive directors on the board.</li> <li>The chairman's role and responsibilities should be clearly defined.</li> <li>The audit committee must consist of at least three independent directors, with at least one having financial expertise.</li> <li>Shareholders should be given access to half-yearly financial results.</li> <li>The board must meet at least four times a year with no more than a four-month gap between meetings.</li> </ol>	CO4	K5

	<p>f) A remuneration committee must be established.</p> <p>g) Directors may serve on no more than ten committees and chair no more than five committees across companies.</p> <p>h) Postal ballot voting should be used for certain major decisions.</p> <p>i) The company must review operations, capital budgets and quarterly results regularly.</p> <p>j) Management Discussion and Analysis (MD&amp;A) reports must include risks, opportunities and internal controls.</p> <p>k) Shareholder approval is required for corporate restructuring.</p> <p>l) Timely and transparent information must be shared with shareholders.</p> <p>m) The recommendations apply only to listed companies with paid-up share capital of ₹3 crore or more.</p> <p>n) The board remuneration committee should be strengthened beyond minimum requirements.</p> <p>o) Shareholder approval is required for entry into new lines of business.</p> <p><b>Required:</b> For each of the following statements, state whether it is a Mandatory Requirement or a Non-Mandatory Recommendation under the Birla Committee guidelines.</p>		
17.	Assess the importance of corporate governance practices in the banking and insurance sectors.	CO4	K5
	<b>SECTION E</b>		
<b>Q. No.</b>	<b>Compulsory Case Study</b>	<b>CO</b>	<b>KL</b>
	<b>(1x 15 = 15)</b>		
18.	<p>Greenvale Health Trust is a large regional healthcare organisation planning to implement a new Electronic Health Records (EHR) system to replace its outdated paper-based and fragmented digital systems. The new system aims to improve patient safety, data accessibility, and operational efficiency.</p> <p>The Chief Medical Officer (CMO) is the clinical lead for the project. The CMO is responsible for ensuring the system improves patient outcomes and complies with medical regulations. The CMO sits on the executive board and has significant influence over clinical strategy.</p> <p>Clinical Department Leaders (e.g., heads of surgery, cardiology, and emergency care) oversee their respective departments. They are responsible for ensuring the system works effectively within their units and that staff are trained appropriately. However, they do not have final decision-making authority over funding or vendor selection.</p> <p>Doctors and Nurses will be daily users of the EHR system. They rely heavily on accurate and fast access to patient information. Although they can provide feedback during consultation phases, they have limited influence over strategic decisions.</p> <p>The organisation's Senior Leadership Team (SLT), including the Chief Executive Officer and Chief Financial Officer, is primarily concerned with financial sustainability, regulatory compliance, and organisational reputation. While they may not be directly involved in daily system use, they control budget approval and major strategic decisions.</p> <p>Support Staff, including administrative assistants and medical records clerks, will also interact with the system for scheduling, billing, and data entry. They have limited authority but will experience operational changes as a result of the new system.</p>	CO5	K6

	<p>The selected Software Provider is responsible for designing, customising, and maintaining the EHR system. The provider works closely with senior management and has technical expertise that significantly influences implementation success.</p> <p>Greenvale Health Trust must determine how to prioritise stakeholder engagement during the planning and implementation stages.</p> <p><b>Required:</b></p> <p>Using Mendelow’s Matrix, categorise the above stakeholders according to their level of power and interest in the new EHR system. Briefly justify your classification.</p>		
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