C 61098 (Pages : 3) Name.......................................

Reg. No...................................

FOURTH SEMESTER M.B.A. DEGREE EXAMINATION, MAY/JUNE 2019

(CUCSS)

M.B.A.

BUS 4C 22—CORPORATE GOVERNANCE

(2016 Admissions)

Time : Three Hours Maximum : 36 Weightage

Part A

Answer **all** *questions.*
Each question carries 1 *weightage.*

1. What do you mean by Corporate Governance ?
2. Briefly explain the OECD principles of Corporate Governance.
3. What are the important obligations towards shareholders ?
4. Write any three suggestions mentioned in the Green Bury Committee.
5. Briefly explain the role of Remuneration Committee.
6. What is the role of regulators in corporate governance ?

(6 × 1 = 6 weightage)

Part B

Answer any **four** *of the following questions.*
Each question carries 3 *weightage.*

7. Discuss the control model of Corporate Governance.
8. Write a short note on accounting standards.
9. Discuss the investor's protections in Corporate Governance.
10. What are the important recommendations of J.J. Irani Committee on Corporate Governance ? Explain.
11. Explain the Corporate Governance framework.
12. Discuss on the statement "Whistle Blowing is an ethical practice".

(4 × 3 = 12 weightage)

Turn over

Part C

Answer any **three** *of the following questions.*
Each question carries 4 weightage.

13. Discuss the Indian model of Corporate Governance practice.
14. Explain Security Contact Act, Clause 49 on independent directors.
15. Write a short note on Kings Committee report on Corporate Governance.
16. What are the relevant details to be reported to external parties in connection with Corporate Governance ? Explain.
17. Discuss the role of SEBI in Indian Corporate Governance.

(3 × 4 = 12 weightage)

Part D

Compulsory *Question.*

18. Case :

WorldCo-m took the telecom industry by storm when it began a frenzy of acquisitions in the 1990s. The low margins that the industry was accustomed to weren't enough for Bernie Ebbers, CEO of WorldCom. From 1995 until 2000, WorldCom purchased over sixty other telecom firms. In 1997 it bought MCI for $37 billion. WorldCom moved into Internet and data communications, handling 50 percent of all United States Internet traffic and 50 percent of all e-mails worldwide. By 2001, WorldCom owned one-third of all data cables in the United States. In addition, they were the second-largest long distance carrier in 1998 and 2002.

In 1999, revenue growth slowed and the stock price began falling. WorldCom's expenses as a percentage of its total revenue increased because the growth rate of its earnings dropped. This also meant WorldCom's earnings might not meet Wall Street analysts' expectations. In an effort to increase revenue, WorldCom reduced the amount of money it held in reserve (to cover liabilities for the companies it had acquired) by $2.8 billion and moved this money into the revenue line of its financial statements. That wasn't enough to boost the earnings that Ebbers wanted. In 2000, WorldCom began classifying operating expenses as long-term capital investments. Hiding these expenses in this way gave them another $3.85 billion. These newly classified assets were expenses that WorldCom paid to lease phone network lines from other companies to access their networks. They also added a journal entry for $500 million in computer expenses, but supporting documents for the expenses were never found. These changes turned WorldCom's losses into profits to the tune of $1.38 billion in 2001. It also made WorldCom's assets appear more valuable.

After tips were sent to the internal audit team and accounting irregularities were spotted in MCI's books, the SEC requested that WorldCom provide more information. The SEC was suspicious because while WorldCom was making so much profit, AT&T (another telecom giant) was losing money. An internal audit turned up the billions WorldCom had announced as capital expenditures as well as the $500 million in undocumented computer expenses. There was also another $2 billion in questionable entries. WorldCom's audit committee was asked for documents supporting capital expenditures, but it could not produce them. The controller admitted to the internal auditors that they weren't following accounting standards. WorldCom then admitted to inflating its profits by $3.8 billion over the previous five quarters. A little over a month after the internal audit began, WorldCom filed for bankruptcy.

Questions :

(a) What are the various reasons for the bankruptcy of WorlCom ? Discuss.

(b) Explain the Corporate Governance issues in the case study.

(1 × 6 = 6 weightage)