AMC Group of Educational Institutions, Manissery

Department of Commerce

e- resources for students

M.Com First Semester

(Question Bank with Answers)

Corporate Governance and Business Ethics

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Short Questions

1. What is insider trading?

Ans :- Insider trading involves trading in a public company's stock by someone who has non-public, material information about that stock for any reason. Insider trading can be either illegal or legal depending on when the insider makes the trade. It is illegal when the material information is still non-public, and this sort of insider trading comes with harsh consequences.

2. What is shareholder activism?

Ans :- Shareholder activism also known as investor activism. Investor activism can be defined as, "a shareholder or group of shareholders in a publicly traded company that tries to make changes in management and operations in a way that suits the shareholders interests".

3. Who is a stakeholder?

Ans :- A stakeholder is a party that has an interest in a company and can either affect or be affected by the business. The primary stakeholders in a typical corporation are its investors, employees, customers, and suppliers and the secondary stakeholders are the government, trade associations, political groups and the community.

4. What is Chaebols'?

Ans :- Chaebol refers to a South Korean form of Business Corporation. They are powerful global multinationals owning numerous international enterprises. The traditional structure of Korean Chaebol can be explained by two of their features; their absolutely closed concentration of ownership within the family of the founder, and their highly diversified business structure.

5. What is transaction cost theory?

Ans :- Transaction cost theory was an interdisciplinary alliance of law, economics and organizations.This theory attempts to view the firm as an organization comprising people with different views and objectives.This theory is a part of corporate governance and agency theory. It is based on the principle that costs will arise when you get someone else to do something for you.

6. What is NCLT?

Ans :- National Company Law Tribunal (NCLT) Act states the provisions regarding incorporation, obligations, liabilities and management of a company. NCLT is the outcome of the eradi committee . It was notified under the Companies Act, 2013 . It is a quasi judicial authority incorporated for dealing with corporate disputes that are civil nature arising under Companies Act.

7. What do you mean by stewardship theory?

Ans :- Stewardship theory defines situation in which managers are not motivated by individual goals, but rather are stewards whose motives are aligned with objectives of their principals. Management act as stewards for the organization.

8. What is Class Action?

Ans :- Class Action suits are undertaken against frauds and hence come under Section 245 of the Indian Companies Act . Any company registered under the Indian Companies Act which cheats or steals money from investors is liable to be fined and penalised by the NCLT.

9. What is Secretarial Audit?

Ans :- Secretarial Audit is introduced by Companies Act,2013. It is a process to check compliances made by the company under Corporate Law and other laws, rules, regulations, procedures etc. It is a

mechanism to monitor compliance with the requirements of stated laws and porcesses.

10. What is Secretarial standard -1?

Ans :- Secretarial standard-1 on Meeting of the Board seeks to prescribe a set of principles for conducting meetings of Board of Directors. These principles are equally applicable to the meetings of committees as well. SS-1 principles are applicable to the Meeting of Board of Directors of all companies except one person company.

11) Who are the sponsors of Blue Ribbon Committee of corporate governance?

Ans) The Blue Ribbon Committee was jointly sponsored by the New York Stock Exchange (NYSE) and National Association of Security Dealers (NASD) for improving the working of corporate audit committees. The committee has given certain recommendations specifically for the Audit committees.

12) What do you mean by Cadbury code of Best Practices?

Ans) The cadbury committee was appointed by the Government of the United Kingdom (UK) in May 1991 with a broad mandate to " address the financial aspects of corporate governance. " it submitted it's report and associated " Code of Best Practices " in 1992 wherein it provides the method of governance needed to achieve a balance between the essential power of the board of directors and their proper accountability. It's recommendations were not mandatory. The cadbury Code Of Best Practices had 19 recommendations.

13) What was the reason behind the appointment of Greenbury Committee?

Ans) The committee was constituted in the year 1995. Confederation of British industry (CBI). It focused on the following items which is related to directors remuneration. Remuneration committee should be set up to decide. remuneration packages for CEO & other directors. During the 1990's the issues of directors remuneration was becoming

a primary concern for investors and the public at large. Disclosure of directors remuneration and their approved by the shareholders.

14) who was the chairman of kings committee?

Ans) In 1992 the King Committee was constituted under the chairmanship of Professor Mervyn E. King with the specific aim of researching and making recommendations into corporate governance in South Africa. The king committee has received both local and international reputation for its contribution towards corporate governance.

15) What was the objective of Hampel Committee of corporate governance?

Ans) The Hampel Committee was established in 1996 to review and revise the earlier recommendations of the Cadbury and Greenbury Committees. Its aim was to promote high standard on corporate governance both to protect investors and preserve enhance the standing of companies listed on the London Stock Exchange.

16) Define Kumar Mangalam Birla Committee, 1999?

Ans) The securities and Exchange Board Of India (SEBI), which set up a committee under the chairmanship of Kumar Mangalam Birla in 1999 with objective of promoting and raising of standards of good corporate governance. To review governance from the perspective of investors & shareholders. To prepare a code to suit Indian corporate. The two kinds of recommendations - Mandatory Recommendations, Non- mandatory Recommendations.

17) What do you mean by Narayana Murthy Committee Report, 2003?

Ans) The Securities and Exchange Board of India (SEBI) had constituted a committee on corporate governance in 2002, in order to evaluate the adequacy of existing corporate governance practices and future improvement of these practices. It was set up to review Cause 49, and suggest, measures to improve corporate governance standards. The SEBI Committee was continued under the chairmanship of Shri N. R. Narayana Murthy, Chairman and Chief Mentor of Infosys Technologies Limited.

18) Define J. J Irani committee?

Ans) The government therefore took a fresh initiative in this regard and constituted a committee in December 2004 under the chairmanship of Dr. J. J Irani with the task of advising the government on the proposed revisions to the Companies Act 1956. J. J Irani committee has come out with suggestions that will go a long way in laying sound base for corporate growth in the coming years.

19) What is Nareshchandra Committee?

Ans) The Naresh Chandra Committee was appointed as a high -level committee to examine various corporate governance issues by the department of company affairs on 21 August 2002. Naresh Chandra Committee report on ' corporate audit & governance ' has taken forward the recommendations of the Kumar Mangalam Birla Committee on corporate governance which was set up by the SEBI.

20) Define Uday Kotak Committee Report - 2017?

Ans) The Uday Kotak Committee was constituted SEBI in June 2017. It was given for months to submit it's recommendations. 21- members committee on corporate governance headed by banker Uday Kotak has submitted it's report to the SEBI. It's primary objective was improving standards concerning corporate governance of listed companies in india.

21. What do you mean by Board of Directors?

A board of directors is essentially a panel of people who are elected to represent shareholders. The board is responsible for protecting shareholders' interests, establishing policies for management, oversight of the corporation

22. Who is an Executive director?

An executive director is a member of the board of a firm who also has management responsibilities. Executive directors hold a position on the board of directors and are company employees, as well as a board

member.executive directors are appointed to the board, typically by the Nominations Committee or the Board of Directors itself.

23. Who is an non executive director?

A non-executive director is a board member without responsibilities for daily management or operations of the company or organisation. The demand for non-executive directors has increased in recent years and so has the need for business leaders to transition to non-executive roles. Non Eexecutive Director and trustee positions offer attractive professional development opportunities.Non-executive directors tend to be selected and appointed for their personal qualities, experience and expertise.

24. What is an audit committee?

An audit committee is one of the major operating committees of a company's board of directors that is in charge of overseeing financial reporting and disclosure. All U.S. publicly-traded companies must maintain a qualified audit committee in order to be listed on a stock exchange.

25. What do you mean by board meeting?

A Board Meeting is a formal meeting of the board of directors of an organization and any invited guests, held at definite intervals and as needed to review performance, consider policy issues, address major problems and perform the legal business of the board.

26. What are the powers of audit committee?

- To investigate any activity under the scope of its terms of reference.
- To search or seek information from any employee.
- To obtain any outside professional or legal advice.
- To secure the attendance of outsiders with any relevant expertise.

27. What are the powers & duties of Board of directors?

- Issue shares, debentures, or any other instruments in respect of the Company.
- Borrow and invest funds for the Company
- Approve Financial Statements and Board Report
- Approve bonus to employees
- Declare dividend in the Company
- Power to grant loans or give guarantee in respect of loans
- Authorize buy back of securities
- Approve Amalgamation/Merger/ Takeover
- Diversify the business of the Company

28. What is whistle blowing?

Whistle blowing policy is a policy through which anyone can report alleged dishonest or illegal activities or misconduct in the company directly to any person having authority or to the director or the CEO. The alleged misconduct can be classified in many ways like fraud, violation of law, threat to the interest of the stakeholders of the company, violation of a law, rule or regulation, gross mismanagement, gross waste of funds, abuse of authority and a substantial and specific danger to public health or safety. A whistle blower is an employee or ex- employee or any other stakeholder who provides information about his or her company which he or she reasonably believes provided they have evidence to support it. Whistle blower plays a very important role in contributing to the better corporate governance.

29. What is internal whistle blowing?

An employee informs about the misconduct to his officers or seniers of the same organization are known as internal whistle blowing. Most whistle blowers are internal whistle blowers, who report misconduct to a fellow employee or superior within their company.

30. What is external whistle blowing?

External whistleblowers, however, report misconduct to outside persons or entities. In these cases, depending on the information's severity and nature, whistleblowers may report the misconduct to lawyers, the media, law enforcement or watchdog agencies, or other local, state, or federal agencies.

Short Essay Questions

1.What are the features of Business Ethics?

The following are the important features of business ethics :

* **A discipline** : Business ethics are the principles, which govern and guide business people to

perform business functions. In that sense business ethics is a discipline.

* **It is art, science and both** : It is a science because the principles are determined on the basis

of observation and experimentation. It is an art because it emphasizes practical application of

principles.

* **Dynamic** : It is dynamic. It continuously tests the rules and moral standards.

* **An ancient concept** : Its origin is mainly concerned with the development of human civilization.

* **Theological base** : The business ethics becomes possible due to the theological principles

such as sincerity, human welfare, service, good behaviour etc.

* **Study of goals and means** : Business ethics is the study of goals and means for the rational

selection of sacred objects and their fulfillment.

* **Based on social reality and customs** : Business ethics is not based on emotion but is based

on the reality and social customs prevailing in business environment.

* **Relating to human aspect** : Business ethics studies the activities, decisions and behaviour,

which are related with human beings.

* **Universal application** : It has universal application because business exists all over the world.

* **Develops personal dignity** : The ethical principles develop the personal dignity.

* **Differ with individual perspectives** : Ethical decisions differ with the individual perspectives of

different persons.

2.What are the merits of Business Ethics?

* **Increases goodwill** : People do not like to deal with fraudulent and mischief businessmen. If

an establishment follows a goods ethical standard, people will deal with them and tell others

about that business so it helps to enhance the value of goodwill.

* **Helps to increase mutual trust and confidence** : According to Prof. Robert Bay, "when ethical

conduct is displayed, it puts some kind of trust and confidence in relationship".

* **Helps in professionalization of management** : To become professional, the management

should follow good ethics. Follow and develop a good business ethics, is the first and

foremost condition of professionalization.

* **Protects each other** : A business ethical standard helps to protect people in dealing with each

other.

* **Release from tension** : A businessmen who follows ethical standards to conduct business, is

released from tension and worries.

* **Perpetual succession** : A business can prosper on the basis of the good ethical standards. It

can retain its business for long years.

* **To face challenges** : The business wants to face a number of challenges. It is better to have a

good ethical standards to face all these challenges.

a)It helps to establish high standards.

b)It brings improvement in work practices, work culture and life style of business.

* **Ethics create credibility with the public** : A company perceived by the public to be ethically and

socially responsive will be honoured and respected even by those who have no intimate

knowledge of its actual working.

* **Ethics give management credibility with employees** : The management has credibility with its

employees precisely because it has credibility with the public, neither sound business strategy

nor a generous compensation policy and fringe benefits.

3.What are the differences between Values and Ethics?

The fundamental differences between ethics and values are described below:

* Ethics refers to the guidelines for conduct, that address question about morality. Value is

defined as the principles and ideals, which helps them in making the judgment of what is more

important.

* Ethics is system of moral principles. In contrast to values, which are the stimuli of our thinking.

* Values strongly influence the emotional state of mind. Therefore it acts as a motivator. On the

other hand, ethics compels to follow a particular course of action.

* Ethics are consistent, whereas values are different for different persons, i.e. what is important

for one person, may not be important for another person.

* Values tell us what we want to do or achieve in our life, whereas ethics helps us in deciding

what is morally correct or incorrect, in the given situation.

* Ethics determines to what extent our options are right or wrong. The values define our

priorities for life.

* Values refer to the important and enduring beliefs or principles, based on which an individual

makes judgements in life. It is at the centre of our lives which act as a standard of behaviour.

They severely affect the emotional state of mind of an individual. They can be personal values,

cultural values or corporate values.

* Values are forces that cause an individual to behave in a particular manner.It sets our priorities

in life, i.e.what we consider in the first place.It is a reason behind the choices we make. It

reflects what is more important for us.So, if we are true to our values and make our choices

accordingly,then the way we live to express our core values.

4.Explain the basic principles of ethics related to business?

* **Honesty** : Ethical executives are honest and truthful in all their dealings and they do

deliberately mislead or deceive others by misrepresentations, overstatements, partial truths,

selective omissions, or any other means.

* **Integrity** : Ethical executives display personal integrity and the courage of their convictions by

doing what they think is right even when there is great pressure to do otherwise.

* **Promise-Keeping and Trustworthiness** : Ethical executives are frank and helpful in supplying

relevant information and correcting misconception of fact, and they make every reasonable

effort to fulfill the letter and spirit of their promises and commitments.

* **Loyalty** : Ethical executives are worthy of trust, demonstrate faithfulness and loyalty to

persons and institutions by friendship in adversity, support and devotion to duty, they do

not use, or disclose information learned in confidence for personal advantage.

* **Fairness** : Ethical executives are fair and just in all dealings. They do not exercise power

arbitrarily, and do not use overreaching nor indecent means to gain or maintain any advantage

nor take undue advantage of another's mistakes or difficulties.

* **Concern for Others** : Ethical executives are caring, compassionate, benevolent and kind. They

like the Golden Rule, help those in needs, and seek to accomplish their business objectives in a

manner that causes the least harm and the greatest positive good.

* **Respect for Others** : Ethical executives demonstrate respect for the human dignity, autonomy,

privacy, rights and interests of all those who have a stake in their decisions. They are

courteous and treat all people with equal respect and dignity regardless of sex, race or national

origin.

* **Law Abiding** : Ethical executives abide by laws, rules and regulations relating to their business

activities.

* **Commitment to Excellence** : Ethical management pursue excellence in performing their duties,

are well informed and prepared, and constantly endeavour to increase their proficiency in all

areas of responsibility.

* **Leadership** : Ethical management is conscious of the responsibilities and opportunities of

their position of leadership.

* **Accountability** : Ethical managers acknowledge and accept personal accountability for the

ethical quality of their decisions and omissions to themselves, their colleagues, their

companies and their communities.

5. Explain the Principles of Quality Management?

Quality management is a discipline for ensuring that outputs, benefits and the processes by

which they are delivered, meet stakeholder requirements and are fit for purpose. The following

are the principles of quality management :

* **Customer Focus** : The primary focus of any organization should be to meet and exceed the

customers expectations and needs. When an organization can understand the customers

current and future needs and cater to them, it results in customer loyalty, which in turn

increases revenue.

* **Leadership** : Good leadership results in an organization's success. Great leadership

establishes unity and purpose among the workforce and shareholders. Creating a thriving

company culture provides an internal environment that allows employees to fully utilize their

potential and get actively involved in achieving its objectives.

* **Engagement of People** : Staff involvement is another fundamental principle. The management

engages staff in creating and delivering value whether they are full-time, part-time, outsourced

or in-house. An organization should encourage the employees to constantly improve their skills

and maintain consistency. This principle also involves empowering the employees, involving

them in decision making and recognizing their achievements.

* **Process Approach** : The performance of an organization is crucial according to the process

approach principle. The approach emphasizes on achieving efficiency and effectiveness in the

organizational processes. The approach entails an understanding that good processes result

in improved consistency, quicker activities, reduced costs, waste removal and continuous

improvement.

* **Continuous Improvement** : Every organization should come up with an objective to be actively

involved in continuous improvement. Businesses that improve continually experience

improved performance, organizational flexibility and increased ability to embrace new

opportunities.

* **Evidence-based Decision Making** : Businesses should adopt a factual approach to decision

making. Businesses that make decisions based on verified and analyzed data have an

improved understanding of the marketplace. They are able to perform tasks that produce

desired results and even justify their past decisions.

* **Relationship Management** : Relationship management is about creating mutually beneficial

relations with supplier and retailers. Different interested parties can impact the company's

performance. The organization should manage the supply chain process well and promote the

relationship between the organization and it's suppliers to optimize their impact on the

company's performance.

6. Explain the benefits of Cultural Diversity?

Cultural diversity includes : language, race, ethnic background, country or region of origin, dress,

values, religion and associated practices, social and community responsibilities, sexuality,

disability, notions of family, family responsibilities, political views.

The many benefits of cultural diversity include :

* **Promotes humanistic values** : When an organization has a group of employees belonging to

diverse cultures, it demonstrates that the organization recognizes and celebrates and

commemorates the diversity that exits in people of different backgrounds.It makes the people

of the organization think that their value and worthy contributions are being realized by the

organization and the management.

* **Improves productivity and profitability** : Apart from these humanistic values, cultural diversity

also brings some tangible benefits to the businesses all over the world. Active persuasion of

diversity at the workplace directly impacts productivity and profitability of the organization as

well as the employees. There is an enhancement of productivity of the workers and profitability

for the organization.

* **Helps to create a pool of talent** : When any organization invests in diversity, it results in the

creation of a bigger pool of talent. This is a win-win situation for both the employees and the

organization. The employees exchange and learn each others positives and competencies.

Such a pool of talent provides the organization with a competitive edge, which help it to

progress in a huge and competitive environment.

* **Exchange of innovative ideas** : When an organization comprises of people with diverse

backgrounds, cultures and experiences, new creative and innovative ideas prop up in the minds

of different people. It is natural that people with varying experiences and perspectives in life

would be able to generate unique ideas and solutions to problems.This is of immense value to

both the organization and employees. Such dynamic exchanges that take place between

people having different perceptions yield creative results.Such a situation is never created in

groups of people who think similarly and belong to similar cultures.

* **Other benefits of diversity** : Many studies related to organizational behaviour conclude that

promoting cultural diversity reduces absenteeism rates, lower employee turnover, reduce costs

associated with hiring new employees and reduce legal responsibility in discrimination

lawsuits.

7. What are the factors affecting Corporate Image?

Corporate image is selectively perceived mental pictures of the organization. The sum total of

these perceived characteristics of the organization is what is normally referred to as the

corporate image.

Factors affecting Corporate Image

Internal Factors

* **Self image of the organization** : This is the so-called 'ideal' self-image. It is how the

organization chooses to identify itself to the public or to projects itself to the public.

* **Corporate advertising** : By this the organization communicates its identity in the way that the

achievement of organizational goals gets facilitated. This is a management responsibility.

Institutional advertising generates awareness and goodwill of the organization behind its

products or services.

* **Brand image** : Brand image plays an important role to the success of a product. It consists of

functional, symbolic and experimental aspects. There is a significant interaction between

brand image and corporate image.

* **Public relations** : It is a means to build up a general reservoir of goodwill. These can be for

example sponsoring local events and contributing to charities, which can project an image of

'good corporate citizenship'.

* **Frontline employees behaviour** : Contact with frontline employees of the organization serves

to form an impression about the organization. The courtesy and knowledge of the frontline

employees and their behaviour is influenced by the corporate culture and climate within the

organization.

External Factors

* **Industry image** : The general image of the industry can have an impact on the corporate image

of the organization. Thus, it is always a managerial issue whether the image of the industry is

positive or negative.

* **Country of origin image** : This also has an effect on the corporate image.

* **Press reports** : Press releases are controlled by the organization. Press reports are done by

the press correspondents. People tend to sharpen their idea about the organization through

the broad variety of new items.

* **Word of mouth** : It tends to be highly persuasive and credible and can significantly influence

the image a stakeholder forms towards the organization.

8) Explain the Cadbury Committee and its recommendations?

Ans The Cadbury committee was appointed by the Government of the United Kingdom in May 1991 with a board mandate to address the financial aspects of corporate governance.

- The committee was appointed in the aftermath of the scandalous collapse of several prominent UK companies during the later 1980s and early 1990s.

- The committee investigated the accountability of the board of directors to shareholders and to society.It submitted its report and associated Code of Best Practices in 1992.
- The Cadbury code of best practices had 19 recommendations.The recommendations are in nature of guidelines relating to the board of directors, non executives directors, executive directors.
  Recommendations are
  - The board should include non executive directors of sufficient calibre and number for their views to carry significant weight in the boards decisions.
  - The board should have a formal schedule of matters specifically reserved to it or decision to ensure that the dirction and control of the company is firmly in 9its hands.
  - There should be an agreed procedure for directors in the furtherance of their duties to take independent professional advice if necessary, at the company's expense.

9) What are the mandatory recommendations of Kumar Mangalam Brila Committe?

Ans The SEBI which set up a committee under the chairmanship of Kumar Mangalam Brila in 1999 with the objective of promoting and raising of standards of good corporate governance.

Mandatory Recommendations

- Applies to listed companies with paid up capital of Rs 3 crore and above.
- Composition of board of directors optimum combination of executive and non executive directors.
- Audit committee with independent directors with one having financial and accounting knowledge.
- Remuneration committee
- Management discussion and analysis report covering industry structure, opportunities, treats, risks ,outlook.
- Information sharing with shareholders.

10) Discuss about Udoy Kotak Committee report?

Ans The Uday Kotak Committee was constituted by SEBI in june 2017.It was given four months to submit its recommendations.21

member committee on corporate governance headed by banker Uday Kotak has submitted its report to the SEBI.

- The primary objective was improving standards concerning corporate governance of listed companies in India.
- The committee submitted its report detailing several recommendations in October 5,2017.

a.Separation of the roles-Roles of chairman and managing director at listed firms should be separated and chairman should be limited to only non executive directors.

b.Minimum board strength- It should be increased to 6 members and at least one woman should be appointed as independent director.Atleat 5 board meeting for listed firms be held in year up from current practice of four meetings.

c.Indepednet directors-Atleast half of board members to be independent directors at listed companies, while all directors must attend at least half of board meetings.

d.Shareholder meetmeeting and cash flow statement - Top 100 firms by market capitalisation shoushould Webcast shareholder meeting and all listed firms should have cash flow statement every 6 months.

e.Minimum remuneration-IndepIndependent directors must get minimum remuneration of ₹5 lakh per annum and sitting fee of ₹20000-50000 for each board meet.

11)What are the needs, importance of IFRS?

Ans a) Helpful to accountant and auditors- Accounting standards are not only helpful to organizations but also to accountants and auditors.They always face threat pf bad name to their profession. This is because of the previous for changed penalties and remedies available under companies act and due to the greater willingness of aggrieved parties to bring the matter before the courts

b)Credibility and reliability to financial statements- Financial statements of a business organization are used by various stakeholders like shareholders, suppliers, employees, customers etc ..for economic decisions. So it is necessary that financial statement

should present a fair picture showing the position of business enterprise.

c)Useful for comparison-The financial statement prepare uniformly useful to the manager, investor and creditor to compare results and finacial conditions of different departments of firms, industries.

d)Consistency-The manager has to choose the best from alternative alterations An accounting standards decrease the amount of manipulation of the reported accounting numbers that may be occur in the absence of the standard.

e)Eliminate variations-IFRS reduce confusing variation in the accounting treatment used to prepare and present the financial statement to the extent possible.

f) Other importance of IFRS are global comparability, contribute to economic efficiency, high quality and transparency, reduce information gap.

12) What are the disadvantages of IFRS?

Ans IFRS has it's own disadvantages. They are

- Not globally accepted- The United States has not yet adopted International Financial Reporting Standards and other countries continue to hold out as well.This makes accounting by foreign based companies that do business in America difficult as they often have to prepare financial statements using IFRS and other set using American Generally Accepted Accounting Principles.
- Manipulation of standards-Companies can utilize only the methods they wish to allowing the financial statements to show only desired results.
- Increased costs-A small company would be forced to the adoption of IFRS in the same way a larger does.However small firms do not have as many resources at their disposal to implement the changes and train staff.
- Not suitable for developing countries- many people believe that as IFRS are developed by the developed countries it won't be much useful for the developing and emerging economy of the world.some even also believe that these standards are developed

for the welfare of the developed countries and it helps to get a strong hold over the developing and emerging economies of the world as the tools of the super powers.

13) what are the recommendations of JJ Irani committee of corporate governance?

Ans Corporate governance reforms didn't stop in India after the adoption of clause 49. Ministry of corporate affairs began the review and redrafting of the companies Act 1956.

- The Government took a fresh initiative in this regard and constituted a committee in December 2004 under the chairmanship of Dr.JJ Irani with the task of advising the government on the proposed revisions to the companies act 1956 Main features of the recommendations are:
  - Number of directors and their duration in company.
  - Age of directors
  - 1/3 of independent directors
  - Maximum number of directorship hold by individual
  - Remuneration policy
  - Sitting fee structure for directors
  - Requisite board meetings in a year
  - Number of independent directors in Audid committee
  - Constitution of remuneration committee
  - Protection of minority shareholders rights
  - Appointing of auditors
  - Certificate issued by CEO and CFO
  - Subsidiary comapny transactions.

14) What are the recommendations of Narayana Mutry Committee Report 2003?

Ans The recommendations come out with two sets of recommendations namely,mandatory and non mandatory recommendations.

Mandatory recommendations:

- Strengthening the responsibilities of audit committee

- Improving the quality of financial disclosure ,including those related to related party transactions and proceeds from initial public offering
- Requiring corporate executives boards to assess and disclose business risk .
- The annual report of companies introducing responsibilities on boards to adopt formal codes of conduct
- Position of nominee directors and stock holder approval and improved disclosures relating to compensation paid to non executive directors.

Non Mandatory recommendations :

- Moving to a regime where corporate financial statements are not qualified
- Instituting a system of training of board members
- Evaluation of performance of board members.

Essay Questions

1. **What is IFRS? Discuss the need, significance and importance of IFRS.**

(Ans). IFRS

International Financial Reporting Standards commonly called IFRS, are accounting standards issued by the IFRS foundation and the International Accounting Standards Board (IASB). They constitute a standardised way of describing the company's financial performance and position so that company financial statements are understanding and comparable across international boundaries. They are particularly relevant for companies with share or securities listed can a public sector exchange.

Standard IFRS Requirements

IFRS convers a wide range of accounting activities. There are certain aspects of business practices for which IFRS set mandatory rules.

- Statement of financial position : This is known as a balance sheet. IFRS influence the way in which the components of a balance sheet are reported.
- Statement of comprehensive income : This can take the form of one statement, or it can be separated into a profit and loss statement and a statement of other income, including property and equipment.
- Statement changes in equity : Also know as a statement of retained earnings, this documents the company's change in earnings or profit for the given financial period.
- Statement of cash flow : This report summarises the company's financial transactions in the given period, separating cash flow into operations, investing, and financing .

A parent company must create separate account reports for each of its subsidiary companies.

Objectives of IFRS

Accounting as a " Language of Business". Like any other language, accounting should have its grammar and these sets of rules are known as Accounting Standards (AS). The objective of Accounting Standards is three fold.

- They help to standardize the diverse accounting policies and eliminate the incomparability of financial statements within an entity and across entities.
- They facilitate the presentation of high quality, transparent and comparable information in financial statements.
- They reduce to accounting alternative and thereby eliminate the element of subjectivity in financial statements.

Need, Significance and Importance of IFRS

It reducing the cost of comparing alternative investments and increasing the quality of information.

- Companies are also expected to benefit,as investors will be more willing to provide financing.
- Companies that have high levels of international activities are among the group that would benefit from a switch to IFRS.
- Companies that are involved in foreign activities and investing benefit from the switch due to the increased comparability of a set accounting standards.

- Helpful to Accounting and Auditors : Accounting Standards are not only helpful to organisations but also to the accountant and auditos. They always face threat of bad name to their profession. This is because of the provisions for changed penalties and remedies available under the companies Act and due to the greater willingness of aggrieved parties to bring the matter before the courts. For this purpose, the establishment of standard to which all chartered or certified accountants subscribe is useful.
- Credibility and reliability to the financial statements : It useful give credibility and reliability to the financial statements.it is

necessary that financial statements should present a fair picture showing the position of Business enterprise.

- Useful for comparison : The financial statements prepared uniformly, useful to the managers, investors and creditors to compare results and financial condition of different departments of firms, different firms , different industries and different period of a firm.
- Global comparability : when different companies are located in different countries, they use generally accepted accounting principal (GAAP) of that country. So comparison of financial statement of two companies located in different countries of difficult.
- Improvement in accounting theory and practice : There is no any conceptual framework and structure of financial accounting for accounting measurements.
- Eliminate variations : IFRS reduce or eliminate confusing variation accounting treatment used to prepare and present the financial statement to the extent possible.
- Contribute to economic efficiency : IFRS standards contribute to economic efficiency by helping investors to identify opportunities and risk across the world, thus improving capital allocation.

Reduce information gap : IFRS standards strengthen accountability by reducing the information gap between the providers of capital and the people to whom they have entrusted their money.

2 . Explain international committees ?

(Ans). Need for improving corporate governance partices was strongly felt indifferent countries of the world due to the high competitiveness following the adoption of the policy of liberalisation, privatisation, and globalization in 1990s. Various countries constituted expert committees to study existing corporate governance partices and suggest ways and means to improve the corporate governance system.

<u>International committees</u>

- The Blue Ribbon Committee(1998)
- The Cadbury Committee(1991)
- The Greenbury committee (1995)
- Kings Committee(1992)
- The Hampel Committee (1996)

1. The Blue Ribbon Committee (1998)

It was jointly sponsored by the Newyork Stock Exchange (NYSE) and National Association of Security Dealers (NASD) for improving the working of corporate audit committees. The committee has given certain recommendations specifically for the Audit Committees.

Recommendation

- The members of Audit committee should be intependent & financial literacy.
- External auditors should discuss the quality of company's accounting principles in relation to GAAP.
- Statutory auditors should maintain independence while discharging professional responsibilities.

2 . The Cadbury Committee (1991)

The Cadbury Committee was appointed by the Government of the United Kingdom (UK) in may 1991 with a board mandate to " address the financial aspects of corporate governance".The committee investigated the accountability of the board of directors to shareholders and to society. It submitted its report and associated "code of Best Practices" in 1992. Wherein it provides the method of governance needed to achieve a balance between the essential power of the board of directors and their proper accountability.its recommendations were not mandatory.

The Cadbury Code of best practices had 19 recommendations. The recommendations are in the nature of guidelines relating to the board of directors,non- executive directors, executive directors and those on reporting and control. The stress in the Cadbury Committee Report is on the crucial role of the board and the need for it to observe the code of Best Practices.

Recommendations

- The effectiveness of the board is buttresses by its regular meeting, full control over the company and cheek over the executive management.
- The chairman should be independent and strong.
- Appointment of non executive directors.
- He should be intependent and appointed through a formal procedure.

- Audit committee minimum three non executive directors.
- Setting up of remuneration committee.
- Comply the code of best practice.

3 . The Greenbury committee (1995)

This committee was constituted in January, 1995 to identify the good practices by the confederation of British Industry (CBI), in determining directors remuneration and to prepare a code of such practices for use by public limited copanies of United Kingdom.The committee's findings were documented in the Greenbury Report which incorporated a code of best practice on director's remuneration .

It focused on the following items which is related to directors remuneration

- Remuneration committee should be set up to remuneration package for CEO and other directors.
- Disclosure of directors remuneration and their approval by the shareholders.
- A specific guideline for determining remuneration policy for directors.
- Annual report should mention the remuneration paid to each directors.
- Directors contract should not run for more than a year.

4 . Kings Committee (1992)

Kings Committee was constituted under the chairmanship of Professor Mervyn E.King in South Africa.The first king committee published it's report in 1994 and recognised the companies do not act independent from society. Corporate Governance should have encouraged through enterprise with integrity.

- King II Report : it was released on 2002 .it promoted the idea of corporate citizenship. The corporate governance functions should be considere the company's actions on people, planet and profit.

- King III Report : it was published in 2009.it states that exists separate from the law and is inappropriate to unhinge (no balance) governance from the law.
- King IV Report : The essence of this report was transperency. It recommend that the organisation need to ensure the accountability towards current and future stake holders.King IV asks organization to be transparent in the application of their corporate governance practices.

5 . The Hampel Committee (1996)

This committee was established in 1996 to review and review and revise the earlier recommendations of the Cadbury and Greenbury committees. Its aim was to promote high standards on corporate governance both to protect investment and preserve enhance the standing of companies listed on the London Stock Exchange.

The report emphasized principles of good governance rather than explicit rules in order to reduce the regulatory burden of companies.

Recommendations

- The auditors should report on internal control privately to the directors
- The directors maintain and review all controls.
- Companies should time to time review their need for internal audit function and control.

3 . Discuss various communities appointed in india whith it's recommendations for ensuring good corporate governance in Indian corporations?

(Ans) . With respect to India, after the economic initiatives in 1991, the Govt.of india thought it fit to respond to the developments taking placing the world over and accordingly the initiatives recommend by Cadbury Committee Report got prominence. In order to give due prominence confederation of Indian industry (CII), the Associated Chambers of commerce and industry (ASSOCHAM) and ,the Securities and Exchange Board of India (SEBI) constituted committees to recommend initiatives in Corporate Governance.

Major committees for corporate governance in India

- Kumar Mangalam Birla Committee (1999)
- Narayan Murthy Committee (2003)
- Dr. J.J Irani Committee on Company Law (2005)
- Naresh Chandra Committee Report (2002)
- Uday Committee Report (2017)

1 . Kumar Mangalam Birla Committee (1999)

The Securities and Exchange Board of India(SEBI) which set up a committee under the chairmanship of Kumar Mangalam Birla in 1999 with the objective of promoting aa nd raising of standards of good corporate governance. The report submitted by the committee is the first formal and comprehensive attempt to evolve a 'Code of CG',in the context of prevailing condition of governance in India companies, as well as the state of capital market.

Objectives

- To review CG from the perspective of investors and shareholders.
- To prepare a code to sult india corporate.

Two Kinds of Recommendation

- Mandatory Recommendation
- Non-mandatory Recommendation

1..Mandatory Recommendations

1. The company board should consist of executive and non executive.
2. Audit committee should consist of three independent directors out of one must be will versed in finance and accounts.
3. A remuneration committee shojld be set up.
4. At least four board meeting in an year and gap between two meetings must not exceed 4month.
5. The board clearly define the role of mgt.
6. Directors must not be a member of more than 5 board of companies.
7. Any information should be shared with shareholders regarding their investment.

2.Non- mandatory Recommendation

1. Chairman of the board maintain an office at company cost and all expenses incurred for performing duties.
2. A remuneration committee to deal remuneration policy.

2 . Narayan Murthy Committee Report (2003)

To improve corporate governance standards in india and keeping these standards with market dynamics, the securities and Exchange Board of India had constituted a committee on corporate governance in 2002,it was set up to review casuse 49,and suggest, measures to improve corporate governance standards.

The committee came out with two sets of recommendations namely, mandatory and non mandatory recommendation.

Mandatory Recommendations

1. Strengthening the responsibilities of audit committee (at least one member financially know ledgeable, at least one member accounting).
2. Improve the quality of financial decisions and disclosure executive board should disclose all business risk in annual reports.
3. Executive board should disclose all business risk in annual reports.
4. Proceeds of IPO application of funds, capital expenditure should be disclosed to audit committee.
5. The procedure of risk assessment should be placed before the board.
6. Whistle blower policy should be implemented in companies.

Non Mandatory Recommendations

I. Proper training should be imparted to board.
II. Performance of Board should tevaluated.

3 . Dr. J.J .Irani Committee Report on Company Law (2005)

The Government therefore took a fresh initiative in this regard and constituted a committee in December 2004 under the chairmanship of Dr.J.J.Irani with the task of advising the government on the proposed revisions to the companies Act 1956. The recommendations of the committee submitted in May 2005 mainly relate to management and board governance, related party

transactions, minority interest, investors education and protection ,access to capital,accounts and audit, mergers and amalgamations, offences and penalties, restructuring and liquidation,etc.

J.J .Irani Committee has come out with suggestions that will go a long way in laying sound base for corporate growth in the comming year. The main features of Recommendation there are follows :

- Number of directors and their duration in company.
- Age of directors
- Maximum no.of directorship hold by individual
- Remuneration
- Appointment of Auditors
- Subsidiary company transaction

  Recommendations

  - Focused on various provisions of law
  - One third of directors should be intependent director
  - Maximum directorship for a director should be limited to 15
  - A clear remuneration policy of directors should be implemented.
  - Related party transactions should be disclosed
  - No relaxation on corporate governance to financial institutions.

4 . Naresh Chandra Committee Report (2002)

This committee was appointed as a high level committee to examine various corporate governance issues by the Department of Company Affairs on 21 August 2002. Set up by ministry of corporate affaires in light of various corporate scandals and scams.

Objectives

To suggest various amendments on

- Auditor client relationship
- Role of independent directors.

Recommendations

- Laid down stringnet guidelines defining relationship between auditors and their clients.

- Control auditors by asking them with many disclosure.
- Calling upon CEOs and CFOs all listing company to certify their companies annual reports.
- Constituet a quality review board by India Institute of Chartered Accounts of India(ICAI), Institute of Company Secretaries of India.

5 . Uday Kotak Committee Report (2017)

It was constituted by SEBI in June 2017. It was given four months to submit its recommendations. Its primary objective was improving standard concerning corporate governance of listed companies in India.

Recommendations accept without modification

- Recommendations of maximum number of directorship from 10 to 8 by 2019 and to 7 by 2020
- Enhanced the role audit committee.nomination and remuneration Committee and risk management committee. Disclosure of Auditors credentials,audit fee etc.
- Disclosure of expertise and skills of directors.
- Mandatory disclosure of quarterly results by 2019-2020.
- Enhanced disclosure of related part transaction.

Recommendations accept with modification

- Requirements to minimum 6 directors in the top 1000 listed entities by 2019& in the top 2000 in 2020.
- Separation of CEO / MP And chairman
- Shareholders approval for royalty payments to related party if it exceeds 2%of turnover.
- Minimum five board meeting for all listed companies
- Successful planning and risk management should be discussed by board at least once in an year.
- Half of the board should be in dependent in case of listed companies.

4.Explain What is Ethics

Ans)The word Ethics is derived from the Greek word *ethicos* meaning custom or character. They are the behaviour /reactions approved by the group of the society . Ethics is a science which deals with the ideals involved in human conduct.The word Ethics in Latin, which is called *ethicus*.Ethics means character or manner, moral behaviuor of people.

Ethics is concerned with what is right or wrong, good or bad, fair ir unfair, responsible or irresponsible, obligatory or permissible, praiseworthy or blameworthy. It addresses matters of punlic policy as well as more personal matters.Business Ethics is the application of general ethical ideas to business behavior. It is generally what is right or wrong in the workplace and doing what's right. It refers to the moral compass that drives people's actions in activities related to commercial operations. Business Ethics is a form of applied ethics.

Ethics is two things

- Well based standards-
  Ethics refers to well based standards of right and wrong that prescribe what human out to do, usually in terms of right, obligations, benefit to society, fairness or specific virtues.
- Study and development of one 's ethical standards -
  Secondly, ethics refers to the study and development of one's ethical standards.
  Characteristics of Business Ethics
  - A discipline
  - It is art, science and both
  - Dynamic
  - An ancient Concept
  - Theological base
  - study of goals and means
  - Based on social reality and customs
  - Relating to human aspects
  - Universal application
  - Develops personal dignity
  - Differ with individual perspective
  - Keeps harmony
    Scope of Business Ethics

- Ethics in finance
- Ethics in Human Resources
- Ethics in conformity

Factors affecting Business Ethics

- Personal Code of Ethics
- Legislation
- Government Rules and Regulations
- Ethical code of the company
- Social pressures
- Ethical climate of the industry

Merits of Business Ethics

- Increases goodwill
- Helps to increase mutual trust and confidence
- Helps in professionalization of management
- Protect each other
- Release from tension
- Perpetual succession
- To face challenges
- Ethics create credibility with the public
- Ethics give management credibility with employees
- Ethics helps better decision making

Limitation of Business Ethics

- No reward for ethical conduct
- Difficult to decide an act whether it is ethical or not
- No proper knowledge of Ethical standards

5.what are the principles of Business Ethics ?

Ans)Principles of Business Ethics

- Sacredness of mesns and ends
- Not to do any evil
- Principles of proportionality
- Non co-operation in evils
- Co-operation with others
- Publicity
- Publicity

- Equivalent price
- Businesses consciousness
- Service motto
- Universal value
- Human dignity
- Autonomy
- Promise keeping
- Non violence

Basic principles of business Ethics for business organizations.

- Honesty
- Integrity
- Promise-keeping and Trustworthiness
- Loyalty
- Fairness
- Concern for others
- Respect for others
- Law abiding
- Commitment to excellence
- Leadership
- Reputation and morale
- Accountability

Principles of Business Dthics related social groups

- Avoid exploitation of consumers
- Avoid profiteering
- Encourages Healthy Competition
- Ensure Accuracy
- Pay Taxes Regularly
- Get the Accounts Audited
- Fair treatment to Employees
- Keep the investors informed
- No Bribe and corruption
- Discourage secret agreement
- Service before profit
- Practice fair Business
- Avoid monopoly
- Avoid injustice and discrimination
- Fullfill customer's Expectations
- Respect consumers Rights
- Accept Social Responsibility

- Satisfy consumer wants
- Service motive
- Optimum utilization of Resources
- Intention of business

6.Explain what is Management of Quality

Ans)Quality Management is a discipline for ensuring that outputs, benefits and the process by which theg are delivered, meet stakeholders requirements and are fit for purpose. Its is an act of overseeing different activities and takes within an organisation to ensure that the products and services offered, as well as the means used to achieve them are consistent. It helps to achieve and maintain a desired level of quality within the organisation. It involves a collection of guidelines that developed by a team to ensure that the products and services that they produce are of the right standard or fit for purpose. The process starts when the organisation sets quality targets to be met and which are agreed upon with the customers.

Quality Management has 4 components,

- Quality planning-
  The first component, it involves the preparation of quality management plan that describes the processes and metrics that Will be used.
- Quality Assurance
  It provides confidence to the host Organization that its projects, programmes and portfolios are being well managed.
- Quality Control
  It consists of inspection, testing and measurement.
- Continual improvement
  It is a generic term used by organization to describes how information provided by quality assurance and quality control process is used to drive improvements in efficiency and effectiveness.

  Principles of Quality Management
  - Customer Focus
  - Leadership
  - Engagement of People
  - Process Approach

- Continues Improvement
- Evudence-based Decision Making
- Relationship Management

  7.Explainwhat is Corporate Excellence

  Ans)The term excellence literally means the quality of being outstanding or extremely good. The achievement of corporate excellence is the most important objective of every organization. Corporate governance is the one and only route to achieve corporate excellence. Corporate excellence refers to a transformation from the status of a good company to the status of a great company. The essence of corporate excellence is to have a competitive advantage over other firms in the industry. Corporate excellence is developing and strengthening the management system to improve the performance and create value for srakeholders. The key element of corporate excellence is transparency projected through a code of good governance which incorporate a system.

Following are the key points fof achieving and maintaining corporate excellence.

- Monitoring the performance
- Inculcate moral values and principle in business
- Fair and equitable treatment of shareholders
- Transparency and Full disclosure
- Fair and Equitable Treatment of Employees and workers
- Strong internal control
- Safeguard the interest of all the stakeholders
- Reduce misconduct and fraud
- Satisfied customers
- Corporate Regulations
- Risk management.

7)Who is director?Explain various Classifications of directors?

Ans: DIRECTOR :

The term "director"in companies act 2013 under sec 2 (34) is defined as "a director appointed to the board of the company",wherein -Board of directors or Board,in relation to a company.Means the collective body of the directors of the company.

The directors are effectively agents of the company, appointed by the shareholders to manage it's day -to- day affairs.The basic rule is that the directors should act together as a board but typically the board may also deligate certain powers to individual directors or to a committe of the board.The purpose of the board of directors is to make sure mangagment is acting in the best interests of the shareholders.It has a fiduciary duty to the shareholders this is why the board of directors assumes central position of corporate governance.

CLASSIFICATION OF DIRECTORS:

There are many classes of directors under companies act 2013 like executive,non-executive,resident director, independent director,women director,nominee director.

1.Executive and Non-Executive Director:

Although there is no legal distinction between the powers and the duties of the executive directors and Non-executive directors,the two play different roles are on a board of directors.Even under sec 166 of companies act ,2013 duties of directors are prescribed which are equal for both executive and non-executive directors.

.Executive Director:

Executive directors "Means a whole time director as defined in clause (94) of sec 2 of the act"

"Whole-time director"includes a director in the whole -time employment of the company.As per definition of whole time director,both conditions should be fulfilled to consider a person as whole time director. In simple words,a person who is director+whole time employee of the company indirectly shall be considered as executive director whether designated by company as executive director or not.Therefore,from the above mentioned provisions we can

conclude that " whole time directors" shall be considered as ' Executive Directors '.

.Non - Executive Director :

The term Non- executive director is nowhere defined under companies act 2013. However,meaning of non - executive director can be taken from the definition of executive director. In simple words , a person who is not falling in conditions of definition of ' Executive Director' shall be considered as "Non-Executives Director".

2. Resident Director:

As per se 149(3) of companies act 2013,board of directors of the company, must have at least one resident director that is person who has stayed in India for a total period of not lessthan 182 days in the previous calender year.

3.Independent Directors:

Independent directors is for the first time introduced in the companies act,2013 under sec149(6).An independent directors means ,a director other than a managing director or a whole - time director or a nominee director who does not have any material or pecuniary relationship with the company/directors.

4.Women Director:

Every listed company shall appoint at least women director within one year from the commencement of the second proviso to sec 149(1) of the act.A period of 6 months from the date of the company's incorporation has been provided to enable the companies incoroperated under companies act, 2013 to compely with this requirement.In other words , existing companies under the previous companies act has to comply the above requirements within one year and new companies incoroperated under the new companies act has to comply within 6 months from the date of its incoroperation .

5.Small Shareholders Directors :

A listed company may have one director elected by small shareholders.May appoint upon notice of not lessthan thousand shareholders or 1/10th of the total shareholders, which ever is lower have a small shareholder director which elected form small

shareholders According to sec 151 of the act every listed company may have one director elected by such small shareholders.For the purpose of this sec,"Small Shareholder" means a shareholder holding shares of nominal value of not more than twenty thousand rupees or such other sum has may be prescribed.

6.Additional Directors :

Any individual can be appointed as additional directors by a company under sec121 of the new act.Ensure that the director to be appointed by board of directors exercises the power so conferred in them by the articles of the company is not such a person who has failed to get appointed as a director in a general meeting.

7.Nominee Director :

They can be appointed by certain shareholders,third parties through contracts,lending public financial institutions or bankers ,or by the central govt in case of oppression or mismanagement. The extent of a nominee directors rights and the scope of supervision by the shareholders,is contained in the contract that enables such appointments,or the relevant statutes applicable to such public financial institution or bank.

8.Alternative Directors :

As per sec 161(2), a company may appoint,if the articles confer such power on company or a resolution is passed in place of a director absent for at least 3 months from the state in which the meetings of the board are ordinarily held. An alternative director cannot hold the office longer than the term of the director in whose place he has been appointed. He will have to vacate the office,if and when the original directors returns. Any alteration the term of office made during the absence of the original director will apply to the original director and not to the alternative director.

9.First Director :

Subject to any regulations in the articles of a company,the subscribers to the memorandum of association,shall be deemed to be the first directors of the company,until such time when directors are duly appointed in the annual general meeting.

10.Shadow Directors :

A person,who is not appointed to the board,but on whose directions the board is accustomed to act,is liable as a director of the company,unless he is giving advice in his or her professional capacity.Thus, such a 'shadow' director may be treated as an 'officer in default' under the companies Act.

11.De Facto Director :

Where a person who is not actually appointed as a director,but acts as a director and is held out by the company as such,such person is considered as a De Facto Director. Unlike a 'shadow' director, a De Facto Director purports to act,and is seen to the outside world as acting,as a director of the company. Such a De Facto Director is liable as a director under the companies Act.

12.Rotational Director :

At least two - thirds of the directors of a public company or of a private company subsidiary of a public company have to retire by rotation and the term 'Rotational Director' refers to such directors who have to retire and may, subject to the articles,be eligible for reappointment at the end of his tenure.

8)Discuss Various Committees required to be constituted for good Corporate Governance?

Ans: CORPORATE GOVERNANCE :

Corporate Governance is the combination of rules,processes or laws by which businesses are operated,regulated or controlled.The term encompasses the internal and external factors that affect the interests of a company's stakeholders,including shareholder,customer,suppliers,government regulators and management.The board of directors is responsible for creating framework for corporate governance that best aligns business conducted with objectives.

BOARD OF COMMITTEES :

Corporate boards usually consist of the following standing committees

.Audit

.Compensation

.Executive and

.Governance and nominating

The duties and responsibilities of each of these core committes are specified in the charters drafted and adopted for each standing committee.In practice , the value added by a board can largely depend upon the behaviour of directors and the quality of their decisions.

1.AUDIT COMMITTEE :

An audit committee is a subcommittee of a public company's board of directors.A board of directors can have several subcommittee.The audit committee concentrates on Coroperate governance,specifically ,the company's internal controls and financial accounting system.The primary task of the audit committee is to oversee the relationship with external auditors to ensure the quality time the company's financial statements.The audit committee's role includes making recommendations on the appointment and reappointment of the external ,their remuneration,and their terms of engagement.

Functions :

.Appointment or removal of external audits.

.Observing of internal audit policies and implantation.

.Connecting link between internal and external audits.

.Proper financial reporting.

.Performing internal control.

.Compliance with law and it procedures.

Powers :

.To investigate any activity within its terms of reference

.To seek information from any employee

.To obtain outside legal or other professional advice

2.NOMINATION COMMITTEE :

The nomination committee is responsible for leading the board appointment process,considering the requriments of the company and making recommendations to the board. This responsibility covers both executive and non-executive directors.Nomination committee is the standing committee of the board. The main objectives of the nomination committee are to review the compos of the full board and check the expertise of the board.The committee should comprise only the board member and the cha it -man.Generally ,the chaiml and of the board is the chairman of the nomination committee.

Functions :

.Identifying the qualified persons to be a director

.Appointing and removal of a board member

.Directors performance evaluation

.Setting Standard / criteria for determing the qualifications positive attribute and independence of a director and recommend to the board policy .

.Succession planning

3.REMUNERATION COMMITTEE :

The members of remuneration committees must keep independence,transparency and potential conflicts of interest at the front of their minds when deciding on pay arrangements. The design of remuneration policies should be linked to the achievement of the company's long - term success,but there is no simple answer that works for every company.

4.STAKEHOLDERS RELATIONSHIP COMMITTEE :

Stakeholder's relationship committee is established in accordance with the company's constitution to ensure the statutory fiduciary and regulatory responsibilities. The committee includes minimum three directors as members which should be decided by the board from time

to time. The main objective of this committee is to create the policies and procedures in line with statutory guidelines to ensure the fast consideration of raised by the stakeholders. Other objectives include approval and register of transfer and transmission of shares,monitor and review investor grievances from time to time.

5.CORPORATE SOCIAL RESPONSIBILITY COMMITTEE :

As per the new Coroperate social responsibility policy ,2014 every organisation has to undertake CSR activities through registered trust or society.It is the duty of CSR committee ensures the Coroperate responsibility practices in organisation starting from policy formulation to the implementation of CSR activities.The committee consists of three or more directors out of which at least one director is an independent directors.The committee has to monitor and report the utilization of fund for CSR activities.

6.OTHER BOARD COMMITTEES :

In addition to the committees of the board mandated by the companies act,2013 board of directors may also constitute other committees to oversee a specific objective or project. The classification,composition and role of such committees will vary depending upon this specific objectives of the company.

A few examples of such committees prevalent in the corporate sector in India and abroad are given below :

.Corporate Governance Committee :

The corporate governance committee is responsible for considering and making recommendations to the board concerning the appropriate size,functions and needs of the board.

.Science , Technology And Sustainability Committee :

It is a composed of non - employee directors,determined to be " independent " under the listing standards of the new York stock exchange.

.Regulatory , Compliance And Government Affairs Committee :

It consistes of non - employee directors, determined to be "independent" under the listing standards of the new York stockexchange.

.Risk Committee :

The recently amended clause 49 of the listing agreement requires as under ; the company shall lay down procedures to inform board members about the risk assessment and minimization procedures.

9)Explain the Concept of Whistle Blowing?Explain Whistle blowing legislations across countries?

Ans: WHISTLE BLOWING :

The term Whistle blowing is derived from the practice of English Civil Police Men (BOBBIES),who blow their whistle when they notice a crime.It alert the general public and as well as law enforcement officers.This word got its popularity in the corporate

world.As a result of the two biggest Corporate failer such as world com and Enron. Sheron Watkins and Cynthia cooper are two women who brought the issue of fraud to the general public .In India, the policy makers got much attention due the murder of satyendra dubey in simple form ,it is the act of reporting malpractices within an organisation to the internal or external parties.Internal whistle blowing includes reporting of malpractices to the internal persons or authorities.External whistle blowing includes reporting of malpractices to the regulators or media external to the organisation.

Whistle blowing cause a drastic change in the organisation,studies found that most of the whistleblowers are committed employees of the organisation.They maintain high amount of professional decency and dedication towards organizational goals.Hence it is mechanism to inform the suspected fraud ,unethical behavior ,violation of company policies should be reported concerned officers.Once the mechanism was established it should be communicated to entire organisation.

PROCESS :

.Communication of issues raised by the employees

.Conducting of preliminary enquiry

.Appointment of enquiry committee

.Take necessary action

A Whistle is blown in circumstance like:

.Knowledge of inappropriateness

.Bad claims

.knowledge of impending doom

Whistle Blowing legislations Across Countries :

The protections for whistle blower are highly recognised across the globe.protection is needed to the whistle blower for his activity f moral concern against the wrong full act by his employer.Whistle blower may face severe retaliation by his employer for his moral activity.The probable retaliation might occur by his activity ,in which the whistle blower suffers .Therefore there is a need to protect the whistle blowers.The risk is involved in the blowing the whistle ;the whistle blower must be insured for the risk.The protection is needed for the life ,career,job,family and personal image if the whistle blowers.Most of the listed blowers across the world have been threatened for their life,When life is at risk,It could not be compensated by giving back the life.However the family members who are dependent on those whistle blowers who have given their life must be compensated.Such whistle blowers are treated at par to those soldiers working border areas in protecting the countries.The law that a government enacts to protect such persons who help expose corruption is called a Whistle Blower Protection Law.

The whistle blower protection laws are passed in different countries,after realising the need to protect the whistle blowers,who aims in protecting the interest of the public .

1.OECD GUIDELINES ON WHISTLE BLOWING :

OECD organisation for economic Co-operation and development is an international economic organisation 34 countries founded in 1961 to stimulate economic progress and world trade.India is non-member country of OECD .The OECD principles of Corporate Governance were developed with a view to assist OECD and non-OECD governments in their efforts to evaluate and improve the legal ,institional and regulatory framework for Corporate governance in their countries,and to provide guidance and suggestions for stock exchanges ,investors ,corporations ,and other parties that have role in the process of developing good Coroperate governance.

2.UNITED STATES :

Whistle blowers in the united states are protected under several statutes at both the federal and state level. Here are a few:

.The whistleblower Protection Act of 1989

.The whistleblower protection Enhancement Act of 2012

.Sarbanes oxley Act

.wall street Reform and Consumer Protection Act

.The Occupational safety and health Act

3.UNITED KINGDOM :

Financial institutions specifically are regulated under the UK 's Accountability and whistle blowing instrument of 2015 (and the amendment from 2017).This robust regime of whistle blower protections outlines a number of obligations, including:

.Implement internal procedures with the option of confidentiality

.Provide measures to protect whistle blowers from victimization

.Appoint a whistle blowers' champion to oversee policy effectiveness

4. RUSSIA :

Federal law,Russia's Anti - Corruption Law,mandates that companies operating in Russia must implement anti - corruption

programs with specific anti - corruption measures. The other key piece of lagislations,focuses primarily state protection of whistle blowers who go public with their disclosure and participate in legal proceeding.i In 2017,the govt proposed amendenments to federal law of 2008,Russia's Anti - Corruption Law,the amendenment proposes employeers must :

.Provide whistle blowers with greater protection

.Provide an internal reporting mechanism

.Take adequate steps to safeguard confidentiality

Under this amendment,Whistle blowers will also be protected from workplace retaliation and may be able to obtain legal aid.

5.EUROPEAN UNION :

In early 2018,the European Commission proposed a new set of rules regarding whistle blower protections across the European Union. The new proposal seeks to provide protections for whistle blower disclosures relating to public procurement,financial services,product safety,transport safety,environmental protection,public health,consumer protection and more.

6.CHINA :

China has inacted extremely strong and comprehensive whistle blower protection laws. It also requires that reports be kept confidential,that whistle blowers are not aretaliated against and even,in some cases,that their compensated for the information.In 2014,the supreme people's procuratorate (SPP) developed rules for dealing with whistle blowering which outlines the rights and protections of whistle blowers,including the right to follow up on this status of their report and the right to request protection orders. That same year,China amended the rules on people's on procuratorate on whistle blowering work to provide additional right and protections or whistle blowers.

7.AUSTRALIA :

In 2017,the Australian govt tabled new legislation that proposed stronger whistle blower protections and policy requriments. The goal of this reform is to create a single piece of legislation to protect whistle blowers in or sectors across the country. Until then,Australia as no

single legislation concerning whistle blowers. Currently,whistle blowers legislation is made up of various provisions from sector - industry - and state - specific laws.

8.BRAZIL :

Whistle blower protection in Brazil has long been pieced together with general provisions from the constitution and other laws.Brazil's Federal Constitution of 1998,for example,protects the personal data of Brazilian citizens. This means that the personal data of a whistle blower is protected under the constitution as long as they are a citizen of the country of Brazil.