1. (a) The remuneration committee of Aman Ltd. has been constituted to consider cases of appointment of whole-time directors with an annual remuneration of not more than Rs.100 lakhs. The remuneration committee has approved in its meeting appointment of Ajay as Director Finance on a remuneration package of Rs.110 lakhs. What is the recourse available to Aman Ltd.? (4 marks)

(b) Zoom Ltd. is a company operating in an SEZ notified by the Department of Commerce and wishes to pay an annual remuneration package of Rs.120 lakhs to its Managing Director. The company does not have adequate profits to pay remuneration in line with the provisions of the Companies Act, 1956. Advise, if constitution of a remuneration committee and its approval is required in the instant case? (4 marks)

(c) Roxy Ltd. is an NBFC registered with the Reserve Bank of India, having a paid-up share capital of Rs.4 crores as on 31st March, 2007. Advise, if Roxy Ltd. should constitute an audit committee. (4 marks)

(d) Raman is the Cost Auditor of Fortune Cements Ltd. appointed under Section 233B of the Companies Act, 1956. Clarify Raman’s role in the audit committee constituted by the company. (4 marks)

(e) Classic Technologies Ltd., a listed company, has constituted a remuneration committee. The members of the remuneration committee, due to other pre-occupations, do not find time to meet and conduct the business of this committee. The committee would like to delegate its powers to a sub-committee. Advise. (4 marks)
2. (a) The whistle blower policy encourages employees to report questionable accounting matters and enables the whistle blower to approach the audit committee. Do you agree? Draft the model Whistle Bowler Policy for a listed company.

(10 marks)

(b) Budgeting of Board time is more a matter of management dexterity used by chairman so that it can help to get maximum output of the Board. Analyse with reference to periodicity of Board meetings to be held in a year.

(10 marks)

3. (a) Although the present law requires listed companies to constitute committees of directors, viz., remuneration committee, audit committee, shareholders grievance committee, etc., there is no such requirement for constitution of nomination committee. Still, companies have voluntarily resorted to this practice in recent times. How would a nomination committee help in good corporate governance?

(10 marks)

(b) Long term success of all businesses depend on managements’ leadership, ability and efforts. Elucidate this statement with reference to professionals in committees giving your suggestions.

(10 marks)

4. (a) “In the light of booming economy, increase in demand for efficient and intelligent people, emerging new areas of business its biggest impact is on the remuneration policy front starting from directors, top management to downwards.” Discuss critically the role of remuneration and compensation committee.

(15 marks)

(b) “Corporate governance has two dimensions — (i) the external, country-level; and (ii) the internal, firm-level.” Discuss in brief.

(5 marks)
5. (a) The Finance Minister of Government of India is looking at few profitable public sector undertakings to fund its fiscal deficit through special remittances over and much above normally declared dividends. Whether this milking strategy conforms to the principle of enhancing stakeholders’ value. Discuss in respect of role of committees of directors in this regard.

(10 marks)

(b) “When the CEOs and Boards of directors of large and admired U.S. corporations such as Bear Stearns, Lehman Brothers, Freddie Mac, Fannie Mae, Merrill Lynch and AIG saw the performance of their companies plummet, which finally resulted in a massive erosion of value to their shareholders and other stakeholders.” Critically examine in the light of inadequacy of corporate governance.

(10 marks)

6. (a) “A little neglect may breed great mischief — for the want of a nail, the shoe was lost, for the want of a shoe, the horse was lost, for the want of a horse, the rider was lost, and for the want of a rider, the battle was lost.” Discuss in respect of need and importance of corporate governance.

(10 marks)

(b) “The management discussion and analysis being the brain of annual report should give the management the philosophy and style of managing the organisation and provides information and knowledge about most valuable areas of company.” Discuss the role of audit committee in reviewing the management’s discussion and analysis report.

(10 marks)