Question #1 of 4

Question ID: 1573304

Smith Company's board of directors assigns responsibilities to several committees. The committee that is *most likely* to be responsible for establishing the chief executive officer's compensation package is Smith's:

A) remuneration committee. ✓

B) risk committee. ✗

C) governance committee. ✗

Explanation

Compensation for a company's senior executives is typically a responsibility of a remuneration or compensation committee.

(Module 24.1, LOS 24.b)

Question #2 of 4

Question ID: 1573306

Risks that may arise from ineffective corporate governance *least likely* include:

A) reduced default risk. ✓

B) less effective decision making. ✗

C) weaker financial performance. ✗

Explanation

Ineffective corporate governance is likely to increase default risk.

(Module 24.1, LOS 24.c)

Question #3 of 4

Question ID: 1573303

A principal-agent relationship *most likely* exists between a company's:

A) customers and suppliers. ✗

B) directors and regulators.

C) shareholders and managers.

Explanation

The relationship between shareholders and managers is a principal-agent relationship. Shareholders, as principals, through the board of directors hire managers, as agents, to act in the best interests of the shareholders.

(Module 24.1, LOS 24.a)

Question #4 of 4

Question ID: 1573305

Responsibilities of a board of directors' nominations committee are *least likely* to include:

A) evaluating the independence of directors.

B) recruiting qualified members to the board.

C) selecting an external auditor for the company.

Explanation

Selecting an external auditor (subject to shareholder approval) is a responsibility of the Board's audit committee. (Module 24.1, LOS 24.b)