



## Ethics and Governance – Module 4 Quiz

*Here are some easy questions just to test you have understood the main points within this module.*

### Questions

#### Question 1

The terms of reference for XYZ Ltd's board of directors states that the appointment of all board members expire at the end of every financial year and new directors appointed or existing directors reappointed subject to shareholder approval.

This differs from other companies operating in the same industry since their terms of reference require one third of directors to every year so that their board of directors are replaced over a three year period.

Which of the following best describes the process for the appointment of directors on the board of ABC Ltd?

- A Yearly.
- B Annual.
- C Staggered.
- D De-staggered.

#### Question 2

Which of the following regarding the removal or termination of a director is not correct?

- A A director can be removed by a resolution by other directors.
- B Directors may choose to resign before the end of their term.
- C Shareholders can vote to remove a director at a general meeting.
- D A group holding 5 per cent of the share capital can remove individual directors.



## Ethics and Governance – Module 4 Quiz

### Question 3

The shareholding of ZY Ltd can basically be summarised into two groups. The first group comprises shareholding by senior executives who together hold 80 per cent of ZY Ltd shares. The second group comprises 5000 individual shareholders who together hold the remaining 20 per cent of the shares.

If the individual shareholders are not happy with the remuneration packages of the directors, how can they activate the two-strikes rule?

- A 1250 of the individual shareholders need to vote 'No' to the remuneration report.
- B 2500 of the individual shareholders need to vote 'No' to the remuneration report.
- C 5000 of the individual shareholders need to vote 'No' to the remuneration report.
- D The two-strike rule can never be activated by the individual shareholders since they hold only 20 per cent of voting rights.

### Question 4

Daniel is an employee for BD Ltd. He is currently in his tenth year of employment with the company.

In terms of the annual leave entitlements, which of the following is correct?

- A If BD Ltd is based in Australia, Daniel is likely to have 3 weeks of annual leave.
- B If BD Ltd is based in Singapore, Daniel is likely to have one week of annual leave.
- C If BD Ltd is based in the United States, Daniel is likely to have one and a half weeks of leave.
- D If BD Ltd is based in the United Kingdom, Daniel is likely to have four weeks of annual leave.

### Question 5

Which of the following relating to a modern, well-designed and well-drafted code of conduct within an organisation is not correct?

- A The code will include the rights of employees.
- B The code will stipulate requirements relating to the treatment of employees of contractors.
- C The code will detail the behaviour expected from employees and their ethical obligations towards the employer.
- D The code will include repercussions in terms of the types of disciplinary actions that will be taken against employees for non-compliance.



## Ethics and Governance – Module 4 Quiz

### Question 6

Which of the following is not a type of industry action that can result when the bargaining process between employers and trade unions fail?

- A Strikes.
- B Go-slows.
- C Work to rule.
- D Legal sabotage.

### Question 7

Regarding audits and related regulation, which of the following is correct?

- A The external auditors report directly to senior executives within the organisation.
- B External auditors apply the international Standards on Auditing when conducting an audit engagement.
- C The auditor is responsible for preparing the financial statements and expressing an opinion relating to them.
- D Boards are responsible for ensuring that both internal and external auditors are equally independent of the organisation.

### Question 8

Which of the following is a consequence of monopolistic behaviour?

- A An increase in efficiencies.
- B Technological obsolescence.
- C Consumers benefit from competitive prices.
- D An increase in customers' choice of suppliers.



## Ethics and Governance – Module 4 Quiz

### Question 9

Which of the following is not an example of cartel behaviour?

- A Bid-rigging.
- B Price-fixing.
- C Input limitation.
- D Output restrictions.

### Question 10

Which of the following is not a characteristic applicable to the regulation of exclusive dealing?

- A A decision made by a single organisation on its own.
- B Cartel conduct and collusion with competitors.
- C Refusing to deal which causes a material reduction in market competition.
- D Imposing requirements on customers to purchase items from third parties.



## Ethics and Governance – Module 4 Quiz

### Solutions

**Question 1:** Correct answer is D

Explanation

The process by which directors are removed and replaced over time is called staggering. The process adopted by the ABC Ltd board is opposite to this and so this is considered de-staggering.

**Question 2:** Correct answer is D

Explanation

- Option A This is incorrect because this is allowed in some countries but there must be a reason for the resolution.
- Option B This is incorrect because directors are also like employees and have to choice to terminate their contract should they wish to do so.
- Option C This is incorrect because this done in most jurisdictions and shareholders have the right to vote to remove a director at the general meeting.
- Option D This is correct because the group holding 5 per cent cannot remove individual directors. Rather they have the ability to call an extraordinary general meeting and put the resolution to remove the director to the vote. There still needs to be a 50 per cent majority of votes cast in favour of the ordinary resolution before the director can be removed.

**Question 3:** Correct answer is A

Explanation

25 per cent of 'eligible shareholder' need to vote 'no' to the remuneration report. The senior executives have a conflict because of their key management positions and thus, they are not permitted to vote. So, 25 per cent of 5000 shareholders is 1250.



## Ethics and Governance – Module 4 Quiz

**Question 4:** Correct answer is D

Explanation

- Option A This is incorrect because the legal minimum of annual leave in Australia is 4 weeks.
- Option B This is incorrect because the maximum leave applicable to employees after 8 years of service is 14 days. Daniel was employed for ten years and thus one week of leave is incorrect.
- Option C This is incorrect because it is common for the US to grant two weeks of annual leave to employees.
- Option D This is correct because the legal minimum of annual leave in the UK is 4 weeks. Therefore this option is correct.

**Question 5:** Correct answer is D

Explanation

A well-designed Code is expected to explain to employees their rights, how they are supposed to behave, what is expected of them and it also includes requirements for the treatment of employees of contractors. It does not normally include the repercussions for non-compliance and disciplinary processes.

**Question 6:** Correct answer is D

Explanation

Failure to reach a consensus can result in go-slows, work to rule or strikes.

**Question 7:** Correct answer is B

Explanation

- Option A This is incorrect because reporting to senior executives would affect the auditors' independence. External auditors report to the intended users which in most cases are the shareholders.
- Option B This is correct because external auditors comply with the ISAs which is the International Standards on Auditing.
- Option C This is incorrect because management and the board is responsible for preparing the financial statements not the auditor.
- Option D This is incorrect because internal auditors will never be of equal independence to external auditors since they are employed within the organisation.



## Ethics and Governance – Module 4 Quiz

**Question 8:** Correct answer is B

Explanation

- Option A This is incorrect because this would lead to a decrease in efficiencies.
- Option B This is correct because monopolists become complacent and do not keep up with the latest trends and technologies.
- Option C This is incorrect because monopolists generally set high prices that are not competitive.
- Option D This is incorrect because monopolies are run by one organisation and thus there is no choice for customers.

**Question 9:** Correct answer is C

Explanation

The following are types of cartel behaviour:

- Output restrictions;
- Allocating customers, suppliers or territories;
- Bid-rigging;
- Price-fixing.

**Question 10:** Correct answer is B

Explanation

- Option A This is incorrect because this is a unilateral decision and this is core to exclusive dealing.
- Option B This is correct because monopolists become complacent and do not keep up with the latest trends and technologies.
- Option C This is incorrect because exclusive dealing does not relate to cartel behaviour but rather unilateral restrictions.
- Option D This is incorrect because this relates to 'third-line forcing' which is a core characteristic of 'exclusive dealing'.