

VIGNETTES ON GOVERNANCE OF PRIVATE EQUITY FIRMS

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Corporate Governance

What Good Governance Promotes?

Marketability

Reduced vulnerability

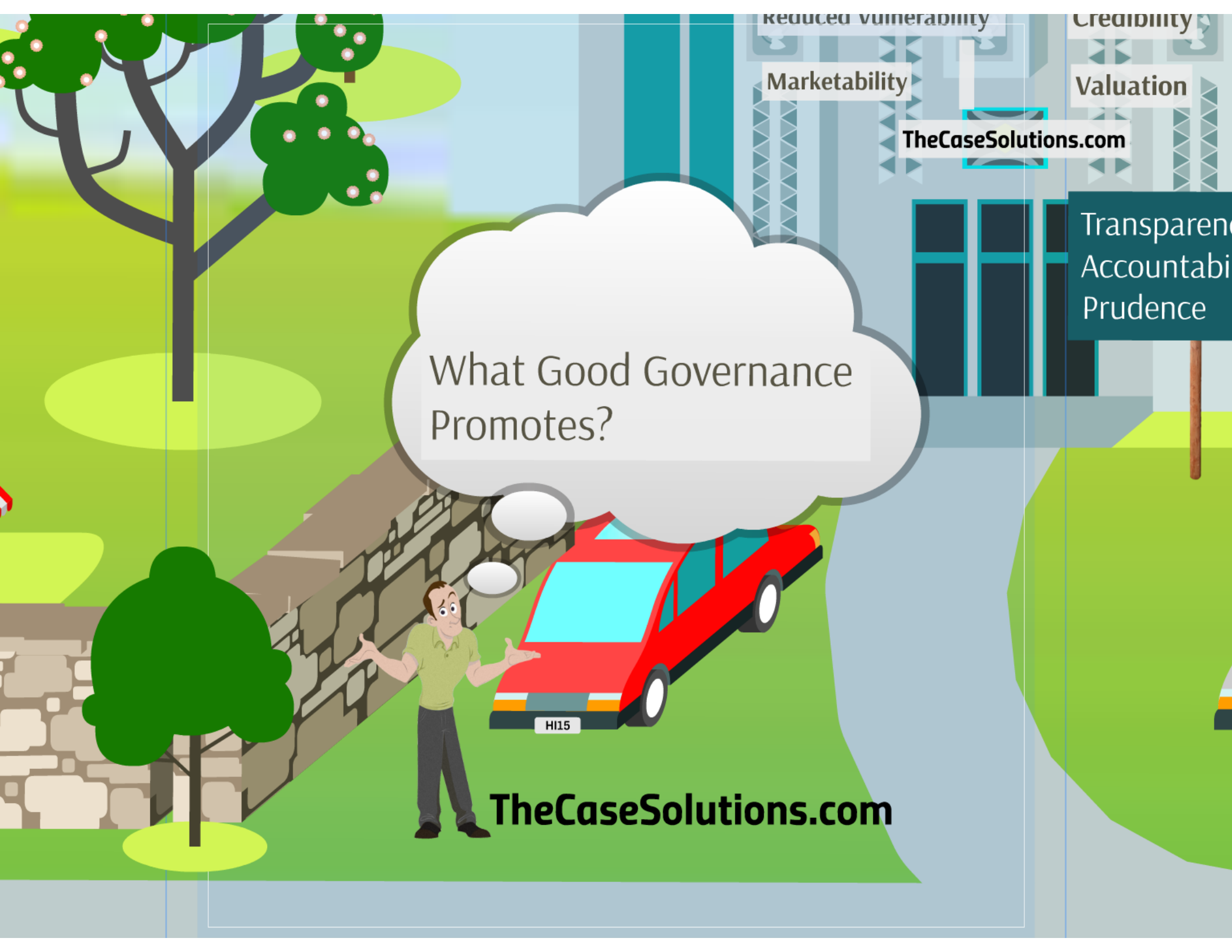
Credibility

Valuation

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Transparency
Accountability
Prudence

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Stakeholders

TheCase

Benefits of Good Governance

Reduced Vulnerability

Credibility

Marketability

Valuation

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Transparency
Accountability

Agency Problems in the Corporation

Agency Relationships and Costs

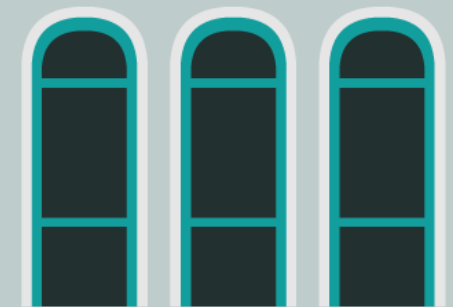
Goals of Financial Management

Do Managers Act in the Stockholders' Interests?

Managerial Compensation

Control of the Firm

Stakeholders



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Performance

Incentives and Disincentives

Pay Dependent on Profit Level

Shares Incentives

Shareholders' Intervention

Threat of Being Fired

Takeover Threat

Roles of the Non-Executive Directors

Strategy

Monitoring of Performance

Establishing Networks

Audit

Roles of the Chief Financial Officer

Implements Internal Controls

Supervises Major Impact Projects

Develops Relations with Financing Sources

Advisor to Management

Drives Major Strategic Issues

Risk Manager

Relationship Role

Objective Reference

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Roles of the Audit Committee

External Risk (Independently)
Operating/ Internal Risk
Information and Control Risk

Roles of the External Auditor

Need for External Auditor

Factors that Contribute to the Information Risk

Remoteness of Information Providers to the Information Users
Bias of Information Providers
The Volume of Data
Complexities in Transactions

Auditor's Duties

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