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Quarter ___F09_____________ Date_________________________________

Instructor __Anthony Mathews____

Course: MGT 219 Topics in Corporate Governance: Techniques in Equity Compensation_

Student PID#
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Student Name (Print)
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Student Signature
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MGT 219 - Topics in Corporate Governance: Techniques in Equity Compensation

Final Examination:

The following 50 questions cover the factual base of the course. All are derived from the course outlines provided for the lectures. If you have them with you, you may feel free to consult them.

Each question is worth 1/5 of a point (so answering all 50 correctly will result in 10 points being added to your score for the course). The test should not take more than 30 minutes to complete. Time will be called after 1 hour and 15 minutes.

It has been a great pleasure having you in my class.

All the best for a great career in whatever you choose to pursue,

Anthony Mathews

Please answer all the following by clearly circling or otherwise indicating the letter associated with your choice. Any other marks or notations on multiple choice questions will be ignored. Brief answers should be printed clearly in the space provided.

1) Which of the following represents potential uses of equity as a currency of business:
    a. Business succession
    b. Compensation Substitute
    c. Executive Incentives
    d. All of the Above

2) Briefly describe the relationship between Capital Ownership and Wealth.
    ____
    ____
    ____

3) Equity Compensation is a business tactic; Employee Ownership is a business ___________________.

4) What are the two elements of a program of Employee Ownership:
    a. Equity Sharing and Participative Management
    b. Stock Bonuses and Vacation Pay
    c. Executive Incentives and Stock Option Plans
    d. Performance Incentives and Cash Compensation

5) Research has demonstrated that Employee Ownership is positively linked with all but one of the following, which one:
    a. Employee Health and Longevity
    b. Company Profitability
    c. Company Survival
    d. Increased Employee Benefits and Compensation

6) Approximately what percentage of the 100 Best Companies to Work For practice some form of employee ownership:
    a. 25%
    b. 85%
    c. 50%
    d. 12%

7) Which of the following is not a phase of the strategic planning process:
    a. Objective Setting
    b. Strategy Development
    c. Selecting Tactics
    d. Insurance Selection

8) The term “Qualified Plan” refers to the plan’s:
    a. Longevity
    b. Tax status
    c. Length
    d. Purpose

9) A Qualified Plan can be used to provide (check all that apply):
    a. Tax benefits for Employers
    b. Tax Deferral for Employees
    c. Tax Shelter for Investors
    d. Taxable Income for Managers

10) Qualified Plan Arrangements include all but one of the following:
    a. Profit Sharing
    b. Defined Benefit Plan
    c. ESOP
    d. Stock Option Plan

11) ESOP Stands for:
    a. E____________________
    b. S____________________
    c. O____________________
    d. P____________________

12) The Qualified Plan Arena is Controlled by:
    a. Labor and Tax Law
    b. Banking and Finance Law
    c. Interstate Commerce Provisions
    d. State Blue Sky Laws

13) The fundamental Labor Law in the United States is called:
    a. ERIC
    b. ERIVO
    c. ERISA
    d. ERROR

14) Which Stands for:
    a. Employees Risk Investment Savings Act
    b. Employees’ Retirement Income Security Act
    c. Early Retirement Income Savings Act
    d. None of the above

15) Defined Contribution Plans Place the Risk of Investment Performance on:
   a. The Sponsoring Company
   b. The Participating Employee
   c. The Investment Company
   d. The Bank

16) Which of the following are Reasons why a Defined Benefit Plan is not a logical host for employer stock:
   a. The Employer already bears the risk for Plan Investment Performance
   b. Significant investment in employer stock is prohibited under law
   c. Pension payments require liquidity
   d. All of the above

17) Qualified Plan Benefits become taxable to Participants:
   a. When they are contributed by the Company
   b. When they are vested in the Employee
   c. When they are Forfeited
   d. When they are distributed to the Employee

18) Benefits in a Qualified Plan that are not vested when a participant terminates service are:
   a. Forfeited and returned to the Company
   b. Held indefinitely pending the Participant's potential rehire
   c. Forfeited and applied to repay debt
   d. Forfeited by the terminated Participant and allocated to the accounts of the other Participants

19) In a Qualified Plan, assets are held by:
   a. The Bank
   b. The Trustee
   c. The Company
   d. The Participants

20) Qualified Plan Trustees are considered:
   a. Professionals
   b. Fiduciaries
   c. Risk Averse
   d. Knowledgeable

21) Non-qualified Plans are:
   a. Illegal
   b. More Complicated than Qualified Plans
   c. Effective Incentive Vehicles
   d. None of the Above

22) The Primary Restrictions on the design of Non-qualified plans relate to:
   a. Formation
   b. Tax Treatment
   c. Income Deferral
   d. Eligibility

23) Three Different types of Non-Qualified Stock Plans include:
   a. ________________________
   b. ________________________
   c. ________________________

24) In a non-qualified Plan, the Trustee is considered:
   a. A Fiduciary
   b. Inappropriate
   c. Unnecessary
   d. An ERISA requirement

25) In a Restricted Stock Plan, actual shares of stock are Issued to the participant:
   a. True ________
   b. False _______

26) Restrictions on Stock Bonuses are adopted in order to:
   a. Control Value for tax purposes.
   b. Prevent Participants from Actually becoming shareholders
   c. Reduce Future Benefits
   d. Prevent a Hostile Takeover

27) Stock Options are designed primarily to provide:
   a. Future Value in the event of growth in Company value
   b. Rewards for past performance
   c. Incentives based on Individual Performance
   d. Protection against declines in Company Value

28) Two Basic Types of Stock Option Plans are:
   a. ISO and NSO
   b. NSA and TSA
   c. ERI and ERA
   d. IRS and DOL

29) One major difference between Incentive Stock Options and Non-Statutory Stock Options is:
   a. ISO’s Provide Tax Deductions for Employers
   b. NSO’s Create Capital Gains Treatment of Executive Benefits
   c. ISO’s Provide Possible Capital Gains treatment to executive benefits
   d. NSO’s provide protection against declines in stock value.

30) In general, Stock Purchase Plans are limited to:
   a. Companies with very low value
   b. Companies that are exempt from Securities registration
   c. Public Companies
   d. Very Large Companies

31) One Requirement that applies to ISO’s but not NSOs is:
   a. ISOs require shareholder approval
   b. ISOs must be issued at discounts from Fair Market Value
   c. ISOs are required to be back dated
   d. ISOs must only be issued to the CEO

32) Which of the following is not generally a settlement option related to stock options:
   a. Sell to cover
   b. Like/Kind exchange
   c. Exercise for Cash proceeds
   d. Exercise and Hold

33) In a sell to cover exercise, the outcome for the optionee will include:
   a. Acquisition of actual shares
   b. Sale of shares sufficient to cover the cost of shares and taxes
   c. Taxable Income
   d. All of the above
   e. None of the above

34) In a Section 83(b) election, the optionee elects to:
   a. Take the value into taxable income currently
   b. Refuse the options
   c. Recharacterize the options as ISOs
   d. Donate the Options to charity

35) The basic risk of making the 83(b) election is:

a. The stock value will go down
b. The company will be sold and the options terminated
c. The Employee will be Demoted
d. The Employee may have paid tax on income he or she never receives

36) Which of the following is not an acceptable valuation formula for stock options:

a. Black Sholes
b. Casino Method
c. Book Value Formula
d. Conventional Wisdom

37) Can you name another method that would also be acceptable? ________
____

38) Approximately how many companies are subject to the reporting requirements of Sarbanes Oxley and why?

a. 300 because they are ________________________
b. 100000 because they are ______________________
c. 7000 because they are _______________________
d. 1500 because they are _______________________

39) Securities Regulations A and D basically provide for:

a. Easy registration of smaller offerings
b. Penalties for improper filing of registration
c. Offerings of over $5,000,000 in a given year
d. Offerings to investors in multi-states

40) Rule 701 basically exempts which of the following from registration requirements:

a. Single state offerings
b. Offerings of “pink-sheet” Securities
c. Offerings of “cheap stock”
d. Compensatory offerings to employees

41) ERISA is:

a. The basic U. S. Labor Law that protects retirement benefits
b. The U. S. law that governs operation of Unions
c. The Law that dictates the actions of the IRS
d. None of the above

42) Under ERISA, a fiduciary may not:
   a. Invest retirement funds for his or her own benefit
   b. Forfeit benefits after they have become vested
   c. Invest in highly risky investments
   d. All of the above

43) FAS 123 (Financial Accounting Standard 123) requires:
   a. Truthful disclosure of executive salaries
   b. Audited Financial Statements
   c. Reporting of expense equal to the value of stock options granted
   d. Expensing of new equipment purchases

44) One inherent problem with much of the wealth in the U. S. is:
   a. It is concentrated in obsolete industries
   b. It is dependent on the creation of Green House Gases
   c. It is concentrated in publically traded companies
   d. It is concentrated in closely held companies and illiquid

45) The Closely Held Wealth Dilemma can be Summarized as:
   a. How can the owner best overcome competitors?
   b. How can the owner expand globally?
   c. How can the owner best access the value of his or her wealth?
   d. Which of the children should inherit the business?

46) An Employee Stock Ownership Plan is which of the following:
   a. An Objective
   b. A Strategy
   c. A Tactic
   d. A Stakeholder

47) Which of the following can be accomplished by adopting a leveraged ESOP:
   a. Liquidity for the shareholders
   b. Increased company performance
   c. Temporary decrease in value
   d. All of the above

48) An Estate Plan is an example of:
   a. A Strategy Designed to meet a number of objectives
   b. A Tactic designed to meet a singly objective
   c. An Objective
   d. None of the above

49) The five factors of an Ownership Culture include (check all that apply):
   a. Free meals
   b. Employee Voting rights
   c. Opportunity to Grow and Advance
   d. Mutual Respect

50) The phrase “A Stake in the Outcome” refers to:
   a. Employees having a direct interest in the success of the company
   b. Employees participating in the groundbreaking for the company’s new building
   c. Employees having red meat lunches
   d. Employees deciding on the CEO’s compensation package