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Submission date: 07-Sep-2019 06:10PM (UTC+0700)

Submission ID: 1168574346

File name: corporation.edited.docx (13.03K)

Word count: 412

Character count: 2550

Cooperation governance

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A corporation is simply an organization designed to make profit hence enhancing economic growth. The video by Business Roundtable (2010) suggests that the structure of a corporation consists of management with chief executive officer board of directors and shareholders. Management helps in identifying and managing corporate risks. Board of directors plays the role of corporate governance. They ensure an excellent relationship between themselves and shareholders as well as the top management to determine performance and direction that a corporation is moving. They also, oversee how management operates. They too do audits, compensation, and corporate governance. The board is responsible for due care and effective leadership, succession planning, making the strategy of leading the corporate. The board of directors directs corporate's affairs, although they are not required to manage corporations. A director failing to act with due care leads to harming of organization. The action is taken for harm caused because of the carelessness of such directors. They also decide on the interest of shareholders. Shareholders have elected the directors in an organization.

The composition of the board in a corporation that focuses on monitoring, supervising, and providing advice to the decision-makers leads to improved management. As the agency theory states, top management and agents of the corporation should bear responsibility for their decision and are liable for any problem arising from the corporations. The long tenure of the senior executive or insiders helps them to pinpoint the onset of success within cooperation. This results in profitability and good performance of a corporate. The Sarbanes–Oxley Act led to establishment of auditing, financial regulation, and auditing of corporate governance in the United States. This act led to the creation of legislation for protecting employees, shareholders, and the members of the public against accounting errors and any dishonest financial practices. In July 2002, it

was enacted as a way of restoring the lost confidence of investors in united states financial markets as well as any closely related loopholes. This allowed defrauding the investors of the major public companies. It, therefore, promoted a profound impact on United states corporate governance like strengthening auditing committee that performed internal control and accuracy financial reports. The corporation is of benefit to the economy in that; they offer employment to many people, provides health insurance and retirement plans and investment opportunities to the people in the economy (Blokhin, 2019).

References

Blokhin.A (2019). Impact of the Sarbanes-Oxley Act of 2002.

<https://www.investopedia.com/ask/answers/052815/what-impact-did-sarbanesoxley-act-have-corporate-governance-united-states.asp>

Business Roundtable (2010). <https://www.youtube.com/watch?v=wtMORWO5h9Y>