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Enterprise Risk Management : Its Importance and Implementation

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ABSTRACT

The financial crisis in 2008 was the result of financial institutions and others not understanding and managing various risks. Coming out of the crisis, there has been an increased focus by the various stakeholders, firms, regulators, etc. on the management of risk. Enterprise Risk Management (ERM) provides a framework for identifying and managing risk at the firm level, spearheaded ideally by a person in the top management, such as a Chief Risk Officer (CRO) or similar, and with the supervision and guidance by the board of directors. In this paper, we explain the importance of ERM, framework for ERM, role of ERM in the organizational structure, internal monitoring of ERM by the boards, external monitoring and role of independent auditors and the importance of enterprise risk disclosures.

Key words: Enterprise Risk Management, Chief Risk Officer, Sarbanese-Oxley Act, Internal Control Mechanism, Disclosures.

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Relative Performance Evaluation in CEO Compensation: Evidence from India#

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ABSTRACT

Relative performance evaluation (RPE) improves compensation contracting efficiency, reduces moral hazard, and provides effort incentive. This study examines the use of RPE in total CEO compensation in Indian private-sector firms. It documents an economically significant role of RPE in CEO compensation contracting. Total CEO compensation is 52% lower than the mean, when peer performance is one standard deviation higher than the mean. Further, the study documents the use of accounting return, not stock return, as the firm performance measure in RPE in Indian private-sector firms. Therefore, the performance measures used in RPE in India and the U.S. are quite different.

Key words: Relative performance evaluation, CEO compensation, Private-sector firms, India.

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Corporate Governance Practices in India : A Critical Evaluation of Select Indian Firms

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ABSTRACT

The paper formulates a governance score based on the compliance of Clause 49 of the listing agreement, as appearing in the published annual reports, by select companies and link it with firm performance. The sample includes CNX200 companies included in the cement, infrastructure, software and pharmaceutical sectors for the time period, 2013-2014. It is conducted by relying upon the published annual reports of these companies for details on corporate governance practices. The study finds a positive and statistically significant association between CGS (Corporate Governance Score) and firm performance. This is consistent with prior research in other countries and cross-country studies. The observed results suggest that companies with good governance practices have improved performance.

Key words: Corporate governance score, Firm performance, India, Leverage, Regression analysis.

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Performance Measurement and Accounting : In Search of a Composite Index with Reference to Public Enterprises in India[+]

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ABSTRACT

The paper starting with a brief discussion on conceptual framework of accounting and traditional measures of financial performance and their relevance, delves on contemporary performance measures while emphasizing the need for their adoption. It then turns to measurement of performance of Public Enterprises (PEs) in India in view of their multiple objectives. With this end of view, it is necessary to understand the contracts between these enterprises and the Department of Public Enterprises. Finally, a more effective performance evaluation system, drawing some examples from PEs, in the form of a Composite Performance Index is suggested.

Key words: Conceptual framework, Contemporary performance measures, Comprehensive reporting, Public enterprises, Performance contracts, Composite performance index, India.

[+] The paper is partly based on author' Keynote Address on *Measuring Performance of Public Enterprises: In search of a Composite Index* at First Plenary Session of 12th International Accounting Conference (IAA Research Foundation in Science City, January 3–4, 2015). Many of the changes are in response to comments of the participants and also the anonymous reviewer. However, for errors and omissions, if any, the author is alone responsible.

INDIAN ACCOUNTING REVIEW

Statement of Policy, Requirements & Guidelines

Policy

Indian Accounting Review (IAR) is a bi-annual research sponsored by the Indian Accounting Association Research Foundation. It is published in June and December each year. It is a refereed international journal with the review process being double blind.

The scope of the journal encompasses all areas of accounting including auditing, taxation, management accounting and information systems. IAR seeks to publish high quality, research-oriented and original articles. It encourages both fundamental and applied research works.

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All manuscript should be typed double-spaced. A separate list of references should be used, not made a part of the footnotes. Footnotes, also double-spaced, should be listed at the end of the paper. Manuscripts should not normally exceed 20 pages including figures, tables, footnotes and references, printed on 8.5″ × 11″ paper.

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