

# CFA® SAMPLE QUESTION - LEVEL I

## Corporate Finance

**Q:** A board of directors is most likely to act in the long-term interest of shareholders if:

**CORRECT ANSWER:**

**Ⓒ all board members are selected annually**

Annual elections of all board members (as compared to longer terms) make a board more likely to represent shareholder's long-term interest because it is easier for shareholders to nominate and elect new members.

Board members who do not have direct experience in the company's industry might lack the specific knowledge they need to give proper oversight to management's decisions.

Board members who are aligned and have close relationship with the company's customers and suppliers might have interests that conflict with shareholders' interest.



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