

Sonia

Insufficient number of NED

Apparently Eastern has insufficient number of NED, as we know the role of NED is to look after the interest of shareholders. Thus, this problem will increase the agency cost as shareholders such as Sentosa will need additional actions to ensure their interest are taken care off, such as appointing consultant if there is a need to.

Risky strategy.

Eastern has removed the risk committee that has an important role to play in an org risk mgmt. Therefore allowing Thomas to pursue risky investment. This problem will lead to additional agency cost as investor need to ensure their investment in Eastern is secure, expecially when there is no risk committee to manage the co risk.

Investor Relation Department

Eastern investor relation deptt is not helpful and unable to provide much information needed to the shareholders, asking them to contact chairman directly. As a result of this, investor will have difficulty getting information about Eastern performance, thus additional cost will be incurred by them to gather the much needed info to justify their investment in Eastern.

Specimen II (RAIL CO)

Briefing Paper

To: Rail Co Trust Board

Agency Relationship, Rights & Responsibilities

Government & Trust Board

There is an agency relationship between the government (represented by MOT) and the Rail Co Trust Board. The MOT is the principal here while the Trust Board is the agent of MOT. The Trust Board has a responsibility to ensure that public funds are being used effectively to provide VFM services to the public.

Rail Co Trust Board & BOD

There is another agency relationship between the Trust Board & BOD. The Turst Board is the principal who will expect that the BOD achieve the target set for them. Meanwhile the BOD will be the agent who is responsible to achieve the KPI given by the Trust Board. This is essential bcos achieving the KPI ensure Rail Co provide VFM service.

Tax Payer & Government

There is another agency relationship between the tax payer & also the government as the govt raise funding from the tax payer. Thus, the tax payer is the principal while the govt is the agent. Tax payer would expect their money is being used effectively to provide services to the public, thus the govt has a responsibility to ensure this.

Customer & govt

Finally there is another agency relationship between the customer (rail user) & govt. Govt is the agent here as they are responsible to provide an efficient & effective rail services to the people. While the Customer who uses and paid for the rail service will expect VFM services.

