6. Which of the following statements concerning “agency problems” is most correct?
   a. Regardless of economic conditions, if a firm's stock price falls during the year, this indicates that the firm's managers must not be acting in the best interests of the shareholders.
      Some factors, such as economic conditions, are beyond the control of the firm’s managers. Factors that cannot be controlled by managers generally do not create agency situations.
   b. One method of controlling agency problems is to engage in the taking of “poison pills.”
      “Poison pills” harm, and in some cases destroy, the firm when it is taken over by another firm. In many cases, the managers of the firm that is acquired receive large “settlements.” Thus, “poison pills” actually create agency problems.
   c. One of the best means to control agency problems is to require the managers and other important decision makers of the firm to also be owners of the firm. If the decision makers are also owners of the firm, they will tend to make decisions that are in the best interests of the owners because they are also the owners.
   d. Agency problems probably would not exist if the important decisions of a firm were made by persons who have no vested interests, such as ownership, in the firm.
      If they have no interest in the firm, there will be a tendency for decision makers to make decisions that are in their own best interests rather than the best interests of the owners of the firm.
   e. None of the above is a correct statement.

RETURN TO THE SAMPLE QUESTIONS