

SCIENTIFIC ADVISOR'S REFERENCE

Program:	Master in Corporate Finance
Student:	Alexandra P. Bayakina
Title of thesis:	Use of internal control instruments in risk management

<p>Justification of the topic choice. Accuracy in defining the aim and objectives of the thesis. Justification of the topic choice; accuracy in defining the aim and tasks of the thesis; originality of the topic and the extent to which it was covered; alignment of the thesis' topic, aim and objectives.</p>
<p>After 2000 Internal Control (IC) became an important strategic instrument in large companies with its contents going very much beyond of its traditional internal audit aim. This is a new field on the border of strategy, risk management and finance, important both theoretically and practically. IC deals mainly with strategic risks (on the market of core production) so Real Options Analysis (ROA) is an adequate tool. This supports the approach developed in the thesis. Its purpose is to show how ROA helps to manage IC. . The setting of goals and objectives is fine.</p>
<p>Structure and logic of the text flow. Logic of research; full scope of the thesis; alignment of thesis' structural parts, i.e. theoretical and empirical parts.</p>
<p>Chapter 1 is devoted to basic ideas of IC and ROA. Chapter 2 describes the relatively short history of IC both as practical concept developed by large companies and leading consulting companies and as a new field of research. Chapter 3 has original nature. It includes a stylized example to illustrate the use of ROA in Statoil.</p>
<p>Quality of analytical approach and quality of offered solution to the research objectives. Adequacy of objectives coverage; ability to formulate and convey the research problem; ability to offer options for its solution; application of the latest trends in relevant research are for the set objectives.</p>
<p>Chapter 3 shows that the author can use research literature to understand and use practically important models (Dixit and Pindyck). She also uses Mathcad software to make numerical calculations for a stochastic problem. This is quite relevant.</p>
<p>Quality of data gathering and description. Quality of selecting research tools and methods; data validity adequacy; adequacy of used data for chosen research tools and methods; completeness and relevance of the list of references.</p>
<p>As it was mentioned earlier theoretical tools are quite adequate. The data on oil prices is taken from public sources. The list of references is useful and includes systematic literature sources on the IC history.</p>
<p>Scientific aspect of the thesis. Independent scientific thinking in solving the set problem/objectives; the extent to which the student contributed to selecting and justifying the research model (conceptual and/or quantitative), developing methodology/approach to set objectives.</p>
<p>The research design is logical. Statoil case is provided at methodological level. I consider both the IC history (Chapter 2) and Statoil case (Chapter 3) as research contribution.</p>
<p>Practical/applied nature of research. Extent to which the theoretical background is related to the international or Russian managerial practice; development of applied recommendations; justification and interpretation of the empirical/applied results.</p>
<p>The thesis provides a practical approach to some aspects of IC. Nevertheless, it was expected that new contents will not be reduced to the only case. Price volatility is just one (of many) different uncertainties. There is also no hints for implementation of the methodology as a part of IC.</p>
<p>Quality of thesis layout. Layout fulfils the requirements of the Regulations for master thesis preparation and defence, correct layout of tables, figures, references.</p>
<p>Layout fulfils the requirements and of good quality.</p>

The Master thesis of Alexandra P. Bayakina meets the requirements for master thesis of MCF program thus the author of the thesis can be awarded the required degree.

Date: June 12, 2012

Scientific Advisor:
Professor of Finance



Alexander Bukhvalov