

REFEREE'S REVIEW

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

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.		3	
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.		3	
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.		4	
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.	5		
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.	5		
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.		4	
Quality of thesis layout. Layout fulfils the requirements of the Regulations for master thesis preparation and defense, correct layout of tables, figures, references.	5		

Each item above is evaluated on the following scale, as applicable: 5 = excellent, 4 = good, 3 = satisfactory, 2 = poor .

Additional comments:

1. In the introduction part of the Master Thesis the author states 3 objectives of research which correspond with 3 main chapters of the work, but the main goal (aim) of research is not defined. Moreover, the title of the thesis assumes that it should be devoted to several instruments ("Use of internal control instruments...") of internal control, but only one instrument – Real option analysis – is considered in the text.
2. There are some drawbacks in the structure and logic of the text flow:
 - a. The first chapter is devoted to risk management, the second to the description of internal control systems and its "history", the third chapter is the case. But why limitations of internal control and the role of the Board of Directors in internal control are considered in the first chapter, but not in the second?
 - b. In section 1.3. first 3 pages (p.9-11) are not included in any sub-section, sub-section 1.3.1. starts only from the forth page (p.12) of the section.
 - c. Why definition and description of Real option analysis are included into the section devoted to limitations of internal control?
 - d. The section "Managerial Implications" is rather small (half of the page) and it doesn't include any new information, but only declarations that Real Option Analysis should be used.
3. The author does not explain why depreciation costs are not included into the mathematical model (p. 35). She only states the fact that they are not included, but why? Does it mean that capital expenditures (and their distribution over time, which is depreciation) are not considered in the model?
4. Recommendations given to Statoil (p. 39) are not realistic. The author recommends to stop production if the price for crude oil will be lower than 102 USD/barrel, and restart production if the

price will be higher than 110 USD/barrel. First, these recommendations are inconsistent with the history of the oil prices (see app.2 of the thesis). It is not understandable how Statoil can survive in 90-th – 2000th when oil prices were lower than 100 USD. Second, the recommendation to stop production and to do some other products is really out of any understanding. May be it will be better to recommend Statoil to be more efficient, to reduce costs, to see new opportunities in the periods of decreasing of oil prices?

In total the general impression from the Master Thesis is positive, but above mentioned drawbacks slightly reduce the final grade for the work.

Master thesis of Alexandra P. Bayakina meets the requirements of Master in Corporate Finance program, and deserves a “**good**” grade, thus the author can be given the desired degree.

June 12, 2012

Referee:

Professor of Finance and
Accounting Department,
Graduate School of Management,
St. Petersburg University



Dmitry L. Volkov