Instructors: Shirley J. Daniel, Ph.D., Office BUSAD A303, Ph. 956-3249
Fax: 956-9685; email: sdaniel@hawaii.edu

On line Class – Weekly assignments will be due each Monday by 11 p.m.

Office Hours: On line – Monday 4 to 6 p.m. and by appointment

Class meeting location: not applicable

Required Text: Harvard Business School Publishing Cases and Readings, in addition to web resources noted in syllabus. The instructor reserves the right to recommend additional readings and materials to enhance the learning experience and discussion of recent corporate governance developments during the semester.

Useful websites for the discussions:

- Institutional Shareholder Services
  http://www.issproxy.com/index.jsp

- National Association of Corporate Directors
  http://www.nacdonline.org/

- New York Stock Exchange (corporate governance)
  http://www.nyse.com/about/listed/1101074746736.html

- NASDAQ (corporate governance)
  http://www.nasdaq.com/about/CorporateGovernanceResources.stm

- SEC
  http://www.sec.gov/

- OECD (corporate governance)
  http://www.oecd.org/topic/0,2686,en_2649_37439_1_1_1_1_37439,00.html

- O’Melveny and Myers LLP (corporate governance and compliance)
  http://www.omm.com/webcode/navigate.asp?nodeHandle=904

- KPMG Audit Committee Institute
Related videos available online for free

PBS Frontline “The Wall Street Fix” about Worldcom
http://www.pbs.org/wgbh/pages/frontline/shows/wallstreet/view/

PBS Frontline “Bigger than Enron” about Enron, Arthur Anderson, Waste Management, etc.
http://www.pbs.org/wgbh/pages/frontline/shows/regulation/view/

PBS Frontline “Tax me if you can” about tax shelters and consulting/accounting firms recommending them
http://www.pbs.org/wgbh/pages/frontline/shows/tax/view/

Other videos and television shows:

“Enron: the smartest guys in the room” Magnolia Pictures

“Martha Stewart” aired on CBS in September 2005

Course Description:

Now more than ever, accountants, managers, officers and board members need to understand their fiduciary, legal and ethical oversight responsibilities. In light of recent regulatory changes and reduced public confidence, becoming an educated and responsible manager or financial executive requires specialized knowledge and skills. This course is designed for graduate students in accounting and business to help students recognize and understand the complex and critical issues of corporate governance, financial reporting and ethical conduct. Course topics include:

- The basic structure of corporate governance
• Various roles of internal and external stakeholders, regulators and gate-keepers
• Standards and best practices of corporate governance
• Shareholder rights and responsibilities
• Director selection, rights and responsibilities
• Executive rights, responsibilities and compensation
• Takeovers, proxies, etc.
• Sarbanes Oxley and other recent developments
• Recent litigation

Course Format:

There are 3 components for participation and graded evaluation.

1. Each week students will be expected to read selected articles and also to research web sources to address the topic scheduled. Active participation in the nine threaded discussions relating to these topics is required in the week of the discussion, and will be evaluated and included in the grade.

2. Case studies are used to analyze and explore real world issues and problems encountered by accountants and managers. Five case studies will be assigned during the course requiring each student to submit a 1 to 3 page written case study brief analyzing the case study assigned. These case analyses will be posted on the course website the day after the due date to form the basis of an online threaded discussion of the case in the following week.

3. A midterm and a final exam or project covering the technical aspects of corporate governance will be administered on line as noted in the schedule.

Grading Breakdown and Expectations:

<table>
<thead>
<tr>
<th>Component</th>
<th>Points</th>
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</thead>
<tbody>
<tr>
<td>Participation in weekly threaded discussions</td>
<td>18</td>
</tr>
<tr>
<td>Completion of 5 case brief analyses</td>
<td>50</td>
</tr>
<tr>
<td>Midterm examination</td>
<td>15</td>
</tr>
<tr>
<td>Final examination/project</td>
<td>15</td>
</tr>
<tr>
<td>Subjective points for overall participation</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
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</tbody>
</table>

ACC 690/MGT 650 Corporate Governance
Fall 2006
Tentative Course Schedule and Assignments

<table>
<thead>
<tr>
<th>Date</th>
<th>Monday</th>
<th>Topic</th>
<th>Reading assignment</th>
<th>Student assignment - due each week, no later than Monday at 11 p.m.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug. 21</td>
<td></td>
<td>First day of classes, organization and housekeeping</td>
<td>Students log in and test communication of WebCT systems</td>
<td>All students will be required to complete this by Friday August 25 at 5 p.m.</td>
</tr>
<tr>
<td>Sept. 4</td>
<td></td>
<td>The agency problem in corporate governance - Various roles of internal and external stakeholders, regulators and gatekeepers</td>
<td>“M&amp;A Legal Context: Basic Framework for Corporate Governance” HBS note 9-803-200</td>
<td>Threaded discussion 2</td>
</tr>
<tr>
<td>Sept. 11</td>
<td></td>
<td>Standard setting and best practices in corporate governance</td>
<td>Review the corporate governance portions of the websites for the NYSE, NASDAQ and compare to ratings of the CGQ by ISS</td>
<td>Threaded discussion 3</td>
</tr>
<tr>
<td>Sept. 18</td>
<td></td>
<td>Current Case Topic</td>
<td>“Innovation Corrupted: The Rise and Fall of Enron (A)” HBS case 9-905-048</td>
<td>Case 1 analysis</td>
</tr>
<tr>
<td>Sept. 25</td>
<td></td>
<td>Sarbanes Oxley and board</td>
<td>“The Sarbanes Oxley Act”</td>
<td>Threaded</td>
</tr>
<tr>
<td>Date</td>
<td>Topic</td>
<td>Case/Analysis</td>
<td>Discussion</td>
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<tr>
<td>Oct. 2</td>
<td>Current Case Topic</td>
<td>“Arthur Anderson LLP” HBS 9-103-061</td>
<td>Case 2 analysis</td>
<td></td>
</tr>
<tr>
<td>Oct. 9</td>
<td>Shareholder rights and responsibilities and Director selection, rights and responsibilities</td>
<td>Review the websites for ISS and the NACD and OMM regarding shareholder’s rights and director’s responsibilities. Montgomery video</td>
<td>Threaded discussion 5</td>
<td></td>
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<tr>
<td>Oct. 16</td>
<td></td>
<td></td>
<td>Mid-term examination</td>
<td></td>
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<tr>
<td>Oct. 23</td>
<td>Executive rights, responsibilities, performance and compensation</td>
<td>Speech by Frederic W. Cook to the Stanford Directors’ College on June 20, 2005. (see URL above)</td>
<td>Threaded discussion 6</td>
<td></td>
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<tr>
<td>Oct. 30</td>
<td>Current Case Topic</td>
<td>“Restoring Trust at Worldcom” HBS 9-404-138</td>
<td>Case 3 analysis</td>
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<tr>
<td>Nov. 6</td>
<td>Takeovers, proxies, etc.</td>
<td>PBS Frontline “The Wall Street Fix” about Worldcom <a href="http://www.pbs.org/wgbh/pages/frontline/shows/wallstreet/view/">URL</a></td>
<td>Threaded discussion 7</td>
<td></td>
</tr>
<tr>
<td>Nov. 13</td>
<td>Current Case Topic</td>
<td>“P&amp;G Acquisition of Gillette” HBS 9-405-082</td>
<td>Case 4 analysis</td>
<td></td>
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<tr>
<td>Nov 20</td>
<td>International models of corporate governance and trends</td>
<td>Review the OECD Principles of Corporate Governance and compare models from the US with Germany. Macharzina video</td>
<td>Threaded discussion 8</td>
<td></td>
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<tr>
<td>Nov. 27</td>
<td>Current Case Topic</td>
<td>“PetroChina: International Corporate Governance with Chinese Characteristics” HKU 183</td>
<td>Case 5 analysis</td>
<td></td>
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<tr>
<td>Dec. 4</td>
<td>Summary and overview</td>
<td></td>
<td>Threaded discussion 9</td>
<td></td>
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<tr>
<td>Dec. 11</td>
<td></td>
<td></td>
<td>Final Examination/Project</td>
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Threaded discussion questions

Discussion 1
- What is the purpose of the corporation?
- For whom does the corporation exist?
- What is unique about outside investors and why do they need protection?
- Should corporate governance protect employees and other non-owner stakeholders?

Discussion 2
- What is the agency problem in corporate governance?
- Do current best practices in corporate governance mitigate the agency problem sufficiently to protect stockholders?

Discussion 3
- Do you believe that standards for corporate governance are best set by the government or the private sector?
- How did Enron and the Large Accounting firms influence regulation (the SEC) of the profession and accounting and reporting rules?

Discussion 4
- Do rating agencies, such as ISS, serve a useful purpose?
- Do they have a conflict of interest when they provide consulting services to help companies improve their CGQ ratings?

Discussion 5
- Do you think the Sarbanes-Oxley Act will prevent future corporate scandals such as Enron, Worldcom, Tyco, and Healthsouth?
- Do you think the PCAOB will improve the quality of audits and the auditing profession? Is it better than the AICPA and peer review quality control system that previously existed?
- What was the most interesting point you found in the video interview with Henry Montgomery?

Discussion 6
- Do you think that executives in the US are paid too much?
- Do you think stock options should be expensed?

Discussion 7
- How did acquisitions impact Worldcom’s financial performance? How have the rules of accounting for acquisitions changed recently?
Discussion 8
• What new developments in corporate governance are happening in Japan?
• How do the issues of corporate governance apply (or not) to developing markets?
• Based on the video lecture by Dr. Klaus Macharzina, how do European corporate governance practices differ from those in the U.S.?

Discussion 9
• If you were chairman of the SEC, what changes in corporate governance would you suggest for the next 5 years?

• What factors would you consider if you were asked to serve on the audit committee of a high tech start up in Hawaii?

Midterm exam study questions:
1. Define and/or describe the roles of each of the following elements of the corporation:
   • Internal institutions – Managers, directors, shareholders
   • External institutions – regulators, auditors, markets

2. What are the typical committees of the board of directors and what are their roles and responsibilities? What are considered “best practices” with regard to the composition of these committees?

3. What are the major standard setting agencies involved in corporate governance in the U.S.?

4. What roles are played by regulatory agencies, auditors, investment banks, other gatekeepers, rating agencies, etc. in mitigating the agency problem in corporate governance?

Final exam study questions:
5. Compare the Anglo-American model of corporate governance to the Continental European model. Which do you think is better?

6. Provide a one-page summary of each of the corporate scandals at Tyco, HealthSouth and the Martha Stewart case.

7. Discuss the issue of board responsibility/duty that was questioned in the Disney case.
8. What do you think of the fact that the judgment against Arthur Anderson was overturned? Should they have been driven out of business?

9. What is happening with regard to the governance extended definition of “cooperation” or failure to cooperate as a result of the Enron and Anderson cases?