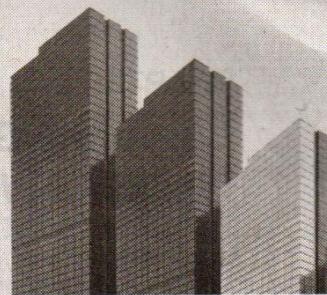


# CONTENTS



Preface .....	ix
---------------	----

CHAPTER 1 .....	1
-----------------	---

## Introduction to Corporate Governance

Learning Objectives .....	1
Introduction.....	1
Case Analysis: "The Fall of Enron" .....	2
Definition of Terms.....	4
The Need for Corporate Governance: Sarbanes-Oxley Act .....	6
Definition of Corporate Governance .....	8
Concept of "Stewardship" and "Control" .....	8
Fulfillment of Long-term Obligations.....	9
Stockholder Theory and Stakeholder Theory .....	10
Long-term Sustainability Goal of Governance .....	10
The Agency Problem.....	11
Difference Between Governance and Management .....	12
Board Independence .....	12
Board Setups .....	13
Guide Questions .....	14
Activity 1: Class Debate .....	14
Activity 2: Causes of Corporate Failures .....	14
Activity 3: Analyzing the Effects of the WorldCom Accounting Fraud .....	15

## CHAPTER 2

# Corporate Governance: What is a Well-governed Organization?

---

Learning Objectives .....	17
Introduction.....	17
At the Outset: What is a Well-governed Organization? .....	18
Sarbanes-Oxley Act (SOX Law): A “Rules-based” Corporate Governance Regulation....	19
OECD Principles of Corporate Governance .....	23
Functions of the Board of Directors .....	24
Corporate Governance-related Provisions of the Revised Corporation Code .....	25
Revised SEC Code of Corporate Governance for Publicly-Listed Companies: A “Comply or Explain” Approach.....	26
Governance of Related Party Transactions.....	31
Governance of Executive Compensation.....	32
Guide Questions .....	33
Activity 1: Class Debate .....	34
Activity 2: Internet Assignment.....	34
Activity 3: Governance of Liquidity During Pandemic Times .....	35
Definition of Terms .....	36

## CHAPTER 3

# Applying Ethics in Business

---

Learning Objectives .....	39
Introduction.....	39
Ethics in General.....	40
Corporate Social Responsibility.....	41
Definition and Nature of Business Ethics.....	42

Difference between Illegal Acts and Unethical Acts.....	44
Communication of the Code of Ethical Conduct.....	45
Unethical Acts in the Various Departments of the Company .....	45
The Company's Code of Ethical Conduct .....	46
Resolution of Ethical Issues in the Field of Accounting .....	48
Guide Questions .....	50
Activity 1: To Record or Not?.....	50
Activity 2: Is this Ethical? .....	50
Activity 3: Internet Assignment: Enron's Code of Ethics .....	51
Definition of Terms .....	52

## CHAPTER 4

### **Introduction to Risk Management: “What Can Go Wrong?”**

---

Learning Objectives .....	55
Introduction.....	55
Definition and Nature of Risk .....	56
Types of Risk .....	58
Definition and Nature of Risk Management .....	62
Risk Appetite .....	63
Steps in the Risk Management Process .....	64
Risk Management Frameworks .....	67
Guide Questions .....	68
Activity 1 (Group Work): Identifying Business Objective and Risks .....	69
Activity 2 (Group Work): Risks and Management Action Plans .....	69
Activity 3: Internet Assignment: Top Global Risks .....	70
Definition of Terms.....	71

## CHAPTER 5

# Assessment of Risks and Selection of Risk Strategies

---

Learning Objectives .....	73
Introduction.....	73
Components of COSO Enterprise Risk Management .....	74
Risk Assessments.....	78
Documentation of the Risk Assessment, Risk Response, and Control Activities.....	81
Monitoring and Testing of the Risk Management Process.....	82
Guide Questions .....	83
Activity 1: Assessing Risks and Selecting an Appropriate Control Activity .....	84
Activity 2: Assessing Risks and Selecting an Appropriate Control Activity .....	84
Activity 3: Internet Assignment .....	85
Definition of Terms.....	86

## CHAPTER 6

# Concept of Internal Control

---

Learning Objectives .....	87
Introduction.....	87
Definition of Internal Control .....	88
The Need for an Internal Control Framework – COSO.....	89
Categories of Internal Control Objectives.....	89
Components of Internal Control.....	92
COSO Requirements for Integrated Components.....	95
“Operating Together” of Internal Control Components .....	96
Link Between Risks and Control Activities.....	97
Limitations of Internal Control.....	99
Guide Questions .....	100
Activity 1: Control Policies and Procedures .....	101
Activity 2: Internal Control Assessment .....	102

Activity 3 (Group Work):	
Demonstrate How the Internal Control Components Operate Together .....	102
Definition of Terms.....	103

## CHAPTER 7

### **Internal Control in Action**

---

Learning Objectives .....	105
Introduction.....	105
Entity-level Controls .....	106
Transaction-level Controls.....	107
Hard and Soft Controls .....	107
Internal Controls as to Lines of Defense .....	108
Preventive Controls .....	108
Detective Controls.....	109
Corrective Controls.....	109
Automated Controls .....	110
Specific Control Activities per Major Account .....	110
Overview of Fraud .....	114
Fraud Triangle .....	115
Control Deficiencies.....	116
Internal and External Auditing.....	117
Guide Questions .....	118
Activity 1: Hard and Soft Controls .....	118
Activity 2: Categorizing Controls into Preventive, Detective, or Corrective.....	119
Activity 3: Fraud Triangle Elements .....	119
Internet Assignment: ACFE's 2020 Report to the Nations.....	119
Definition of Terms.....	120
References .....	122
Index .....	124