

6.2 Module 2

6.2.1. Corporate Governance

Module title		Corporate Governance								
Module NFQ level (only if an NFQ level can be demonstrated)		9								
Module number/reference		MA02								
Parent programme(s)		Master of Arts in Accounting and Finance								
Stage of parent programme										
Semester (semester1/semester2 if applicable)		Semester 1								
Module credit units		ECTS								
Module credit number of units		10								
Average (over the duration of the module) of the contact hours per week		6								
Analysis of required learning effort										
Effort while in contact with staff										
Classroom and demonstrations		Mentoring and small-group tutoring		Other (specify)		Directed e-learning (hours)	Independent learning (hours)	Other hours (specify)	Work-based learning hours of learning effort	Total effort (hours)
Hours	Minimum ratio teacher/learner	Hours	Minimum ratio teacher/learner	Hours	Minimum ratio teacher/learner					
48	1:40	24	1:20				178			250
Allocation of marks (within the module)										
					Continuous assessment	Supervised project	Proctored practical examination	Proctored written examination	Total	
Percentage contribution					30 %			70	100%	

Minimum intended module learning outcomes

On the successful completion of this module, students should be able to:

- MIMLO 2.1.** Define corporate governance and describe and discuss the key legal, political and economic dimensions of corporate governance systems and practices as they exist in the real world.
- MIMLO 2.2** Discuss and critically evaluate key theoretical, ethical and practical issues which underpin the study of corporate governance.
- MIMLO 2.3** Define internal control and the role of internal audit and appraise the adequacy and effectiveness of representative systems of internal control, audit, and audit testing.
- MIMLO 2.4** Apply, analyse and evaluate alternative risk-management frameworks in different business contexts.

Module content, organisation and structure

Indicative Syllabus:

1 Agency theory and Corporate Governance

Agency theory:

- Define the key agency theory concepts and explain the meaning of fiduciary duty.
- Critically evaluate the concept of agency accountability.
- Explain, understand and assess the agency issues involved in the various types of organisation (in particular the joint stock company).
- Explain and analyse the purposes of an AGM and/or an EGM with particular reference to agency accountability.

Stakeholder theory:

- Explain and evaluate the complexities arising from the bi-directional relationship between the corporate entity and particular stakeholder groups. Articulate alternative methods of classifying stakeholders.
- Apply the concepts of stakeholder theory to specific scenarios and critically evaluate models such as Mendelow's 'Stakeholder mapping' methodology.

Corporate Governance – General concepts & objectives:

- Explain the meaning of Corporate Governance and assess the key objectives of Corporate Governance.
- Evaluate and assess the differences in Corporate Governance adopted in public, private and non-government organizations.

- Systematically apply the underlying concepts of Corporate Governance and evaluate the impact of stakeholder theory on the evolution of Corporate Governance.

Corporate Governance – The board of directors & disclosure:

- Explain, evaluate and reflect on the role of the board of directors and its key members (Chairman, Chief Executive and Company Secretary).
- Assess the relative merits and the necessity for Non Executive Directors in the corporate governance framework.
- Analyse and evaluate the membership, responsibilities and key objectives of the various sub-committees of the board (Remuneration, Audit, Nomination and Risk Management).
- Assess and critically evaluate the external reporting requirements set out in current Corporate Governance codes (particularly in the Irish/UK context).
- Distinguish between mandatory and voluntary disclosure in financial statements and assess the reasons for and the relative merits of voluntary disclosure.
- Assess and critically evaluate alternative approaches to Corporate Governance based on research and analysis of the published Financial Statements of a selection of public quoted companies.

Corporate Governance – The International dimension:

- Demonstrate an ability to evaluate and synthesise a number of alternative approaches in different International jurisdictions (e.g.: contrasting the principles v's rules approaches).
- Critically evaluate key differences in the approach to Corporate Governance in UK/Ireland, the USA and South Africa. (UK - Combined Code 2005, USA – Sarbanes Oxley and South Africa – King II) and discuss the relative merits of these codes.
- Evaluate the necessity for the continued evolution and likely direction of Corporate Governance internationally.
- Contrast the approaches to Corporate Governance adopted by public quoted companies in different International contexts via a review of recently published financial statements of a variety of companies in different countries.

Corporate Governance – The CSR dimension:

- Explain the concept of 'Corporate citizen' and 'Corporate Social Responsibility' in the context of corporate governance.
- Assess and critically evaluate the relative merits of various of approaches to CSR adopted by a selection of public quoted companies and reflect on the scope and application of corporate governance codes.

2 Internal Control and Internal Audit

Internal control:

- Explain the key elements of a robust system of internal control as set out in the Turnbull Report.
- Assess the responsibility for the existence and operation of a robust system of internal control in the corporate entity.
- Evaluate the relative merits of the methods by which the board of directors can discharge its internal control responsibilities.
- Compare and contrast the internal control concepts set out in the Sarbanes Oxley Act 2002 and the UK Combined code 2008.
- Assess the importance of internal control in the context of agency accountability and apply the core principles of internal control to specific scenarios.

- Assess the adequacy of current internal controls in specific scenarios and demonstrate creative and innovative thinking in the formulation and communication of recommendations for improvements (if necessary)

Internal Audit:

- Explain the key concepts underpinning the internal audit function and outline the internal reporting structural changes to adopt when establishing an internal audit function.
- Critically evaluate and discuss the role of internal audit in the delivery of a sound system of internal control.
- Explain the recommended organisational structure required to reinforce the independence of the internal audit function.
- Critically evaluate the relative merits of outsourcing the internal audit function and reflect on the relative merits of an in-house or outsourced internal audit function.
- Assess the issues involved in auditor independence and the various threats to auditor independence that may exist.
- Analyse the relationship between internal and external audit and critically evaluate the contribution made by internal audit to improvements in internal control.

Internal Control – The reporting requirements:

- Explain the various aspects of internal and external reporting requirements.
- Evaluate the characteristics of good quality information in assisting the board of directors in discharging its internal control and reporting responsibilities.
- Describe the content of internal and external reports on internal controls.
- Critically assess the external reporting arrangements in specific scenarios and identify the compliance issues involved with suitable recommendations for improvement (if appropriate).

3 Risk Management

Risk:

- Define/explain the concept of risk in the context of Corporate Governance.
- Apply various methods of risk classification and assess the relative merits of alternative different methodologies.
- Identify the various sources of risk for corporate entities and demonstrate an awareness of the constant changing nature of risk. Distinguish between 'risk avoidance' and 'risk reduction'.
- Critically evaluate the complexities of risk for various stakeholders and the challenges this poses for a board of directors in its agency capacity.
- Compare and contrast the provisions on risk management contained in the main international Corporate Governance codes (Combined Code 2008, King II, Sarbanes Oxley).
- Explain the concept of risk appetite, assess the variety of risk appetites encountered in different organisations and evaluate the complexities (size, technology, culture etc.) driving this diversity of approach and the resulting impact on overall corporate strategy.

Risk Manager/Risk Management Committee:

- Explain the role of a Risk Manager and critically evaluate the necessity for a Risk Management Committee.
- Discuss the relative merits of the alternative configurations of a Risk Management Committee (e.g. the mix of executive and non-executive directors).
- Assess the importance of the role of a Risk Management Committee to the board in discharging its risk management responsibilities.
- Assess the significance of and the methods by which Risk Management can become an embedded part of corporate culture.

Risk Management – Methodologies:

- Apply the provisions of a variety of risk management methodologies (in particular the Turnbull report/Combined code, the International Federation of Accountants (IFAC) code and/or the COSO framework) to specific scenarios.
- Critically evaluate the relative merits of various methodologies adopted by boards of corporate entities to discharge risk management responsibilities.
- Application of a structured approach to risk management (risk identification, risk quantification, risk assessment, risk mapping, development and testing of risk response etc.).
- Synthesise the role of risk management structures adopted by corporate entities in the financial services industry and reflect on the inadequacies of the methodologies adopted which were exposed during the sub-prime crisis by engaging in rigorous academic debate concerning the variety of risk management frameworks and their respective effectiveness

4 Ethics (Professional and Corporate) and Corporate Social Responsibility**Ethical theories:**

- Distinguish between the ethical theories of relativism and absolutism and demonstrate the ability to apply the theories in specific contexts.
- Explain and apply Kohlberg's stages in human ethical development. Distinguish between deontological and teleological approaches to ethics and critically evaluate the relative merits of each approach demonstrating the ability to apply these alternative models to practical situations.
- Consider the consequences of egoism (e.g. the recent Madoff pyramid scheme) in the global business environment

- Apply and critically evaluate the ethical decision making models (Tucker's 5 question model and the American Accounting Association model) commonly used in the resolution of ethical dilemmas.
- Evaluate the variety of complex factors affecting approaches to ethical issues internationally and evaluate the challenges this poses for companies.
- Critically evaluate and compare the relative merits of corporate codes of ethics based on a review of various quoted company websites and reflect on the relative merits and effectiveness of different styles of corporate codes of ethics.

The role of ethics in the evolution of Corporate Social Responsibility:

- Describe and evaluate various approaches adopted in the development of a corporate social responsibility (CSR) strategy and assess the interaction of stakeholder theory with CSR.
- Develop an ability to discuss the relative merits of various classification models describing approaches to CSR.
- Assess and evaluate the emerging impact of environmental issues on the evolution of CSR and the growing significance of Environmental Management Accounting (EMA) and Full Cost Accounting (FCA) in the context of sustainability.
- In particular assessment of the relative merits of EMAS and ISO 14000 should be evaluated.
- Display an appreciation of the concept of 'Corporate Social Footprint'.
- Assess the relative merits of social and environmental audits and how they might contribute towards the continued evolution of EMA and CSR.
- Critically evaluate the approach adopted by some quoted companies based on a review material contained in recently published Financial Statements.

Professional Ethics:

- Describe the concept of 'Professionalism and the Public Interest' and its relevance to professional accountants.
- Assess and critically evaluate the impact of the accounting profession on the public interest and wealth redistribution (e.g. consider topical issues such as the role of 'Mark to Market' concept in International Financial Reporting Standards and the claims that this may have contributed to seriousness of the sub-prime crisis).
- Describe and evaluate the principles upon which professional ethical codes are based (e.g.: ACCA, CIMA and ICAI Codes). Demonstrate an ability to apply the codes to practical scenarios exercising professional judgemental skills and the ability to clearly communicate and justify recommended approaches to resolution of ethical dilemmas (if possible).
- Critically evaluate the threats to ethical behaviour in the financial environment (e.g. independence etc.) and the safeguards used to try to resolve conflicts of interest.
- Demonstrate an ability to discuss the evolutionary process of professional ethical codes and consider likely future developments and changes to these codes.

Reading lists and other information resources

Title	Author	Publisher	Year
Essential:			
Corporate Governance, 5 th Edition	Mallin, C.	Oxford University Press	2016
P1: Professional Accountant 3 rd edition		BPP Learning Media	2017
Corporate Governance, 3 rd Edition	Monks, A.G. and Minnow, N.	Malden MA: Blackwell	2004
Accounting and Accountability: changes and challenges in corporate social and environmental reporting	Gary, R, Owen, D. and Adams, C.	FT Prentice Hall	1995
Business Ethics, 2 nd Edition	Crane, A and Matten, D.	Oxford University Press	2006
Corporate Governance and Accountability, 2 nd Edition	Solomon, J.	John Wiley & Sons	2007
Recommended:			
Exploring Corporate Strategy. 11 th edition	Johnson, G. Scholes, K. and Whittington, R.	FT Prentice Hall	2017
UK – The Combined Code 2008		Financial Reporting Council (Available on FRC website)	2008

REFERENCE:

Journals / Publications:

Harvard Business Review
The Economist

The Wall Street Journal
The Financial Times
Journal of Business Ethics

Websites:

www.ft.com

www.corpgov.hbs.edu

www.economist.com

www.pwc.com

www.kpmg.com

www.ey.com

www.deloitte.com

Professional Magazines

Financial Management (CIMA)

Student Accountant (ACCA)

Accounting and Business ACCA

Accountancy Plus (CPA)

Accountancy Ireland (ICAI)