



**ACCT 574: Accounting and Corporate Governance in Global Business Environment
Spring 2024
Tue/Thur 11am to 1:50pm Pacific Time**

Professor: T.J. Wong

Office hours: 2 to 3pm (Tue) Pacific Time and by appointment

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COURSE DESCRIPTION

The course adopts a multi-disciplinary approach, using theories from economics, law, political science and sociology, to provide an analytical framework for understanding the different ownership structures, corporate governance and financial reporting practice around the world. Specifically, we study how the differences in accounting practice across countries are primarily determined by business environment and the ownership and governance structures of the firms. This multi-disciplinary approach allows us to adopt an institutional and organizational perspective, rather than a legal or rule-based (in either corporate governance or GAAP) perspective, with an emphasis on exploring various governance mechanisms and accounting practice and their impact on mitigating agency costs and improving shareholder and stakeholder values of firms. With this framework, we will be able to perform better financial statement analysis by identifying the financial reporting and governance risks of these companies, and understanding the underlying reasons for these challenges.

In this course, we pay special attention to the challenges in corporate governance and financial reporting of companies in the Pacific Rim, and explore various mechanisms for strengthening their governance and accounting systems. This includes corporate governance and financial reporting issues of state-owned firms and entrepreneurial / family-controlled firms, which are prevalent in these economies. Combining both lecture- and case-based approaches, we tackle issues such as excess government intervention on state and non-state firms, accounting opacity and fraud, ineffective board monitoring, expropriation of controlling owners against minority shareholders, and succession in family firms. Our cases will cover accounting and governance issues of some large companies such as Facebook (US), Enron (US), Netflix (US), P&G(US), VW Group (Germany), Samsung (Korea), Alibaba (China), Olympus (Japan), JetBlue (US), Bechtel (US), Satyam (India), and Ayala (the Philippines).

This course will benefit students that seek employment opportunities as an auditor in an audit firm, an investment banker in corporate finance, a consultant in corporate strategies for a consulting firm or corporate accountant and finance officer of a listed firm. Since we adopt a global perspective, it will further equip you to work in organizations that operate in a global

environment. Having the ability to identify the corporate governance and reporting challenges and the mechanisms that can deal with these challenges from an institutional perspective, it would give you greater insight and deeper understanding into the underlying forces that shape accounting and corporate governance issues in the Pacific Rim.

COURSE OBJECTIVES

- By the end of this course students will be able to identify how different business environments (e.g. legal system, social norms, system of government of the host country) inform a company's corporate governance and financial reporting systems.
- By the end of this course students will be able to analyze how a firm's financial reporting and corporate governance structures vary across countries.
- By the end of this course students will have adopted a global perspective whereby they can identify the corporate governance and reporting challenges and the mechanisms that can deal with these challenges.
- By the end of this course students will be able to extract key information from international business cases and present a logical argument in written form as well as a quantitative analysis using data exhibits.

COURSE REQUIREMENT

You need to come prepared for each class, especially if we have a specific case or handout that we will discuss in class. The course is mainly about understanding the concepts, rather than memorizing rules and policies. It is important to participate in the lectures and engage in class discussions. I will make sure that we have a friendly atmosphere when we engage in class discussions but you need to come prepared. I will also keep track of the level of your participation throughout the course. Your participation grade depends on the quality (not quantity) of your contributions to the class.

COURSE MATERIALS

All the lecture notes, short cases, assigned reading materials, and the long case, Asia Pulp and Paper, can be downloaded from Blackboard. I have also posted links to some videos on Blackboard that will help you with the lectures and case discussion. The other long cases can be purchased at <https://hbsp.harvard.edu/import/1119027>.

CLASSROOM POLICIES

Active class participation is important in achieving the learning objectives for this course. Unless students provide an accommodation letter from USC OSAS or from Marshall detailing visa or travel restrictions, attendance and active participation is expected in the classroom.

Any student with such accommodations should submit their accommodation document to their instructor as soon as possible. Your instructor will then provide regular access to a recording of the class and an opportunity to regularly make up missed in-class participation.

Students who are experiencing illness should not attend class in person. Please inform the instructor in advance of the class session to discuss what accommodations will be made to allow for the make-up of missed class work and missed in-class participation. Students will not be penalized for not attending class in person under these circumstances.

GRADING

<u>Assignments</u>	<u>Points</u>	<u>% of Overall Grade</u>
<i>Class Participation</i>	20	20%
<i>Individual Exam 1</i>	20	20%
<i>Individual Exam 2</i>	20	20%
<i>Group project 1</i>	20	20%
<i>Group project 2</i>	20	20%
TOTAL	100	100%

Final grades represent how you perform in the class relative to other students. Your grade will not be based on a mandated target, but on your performance. Historically, the average grade for this class is about a 3.5. Three items are considered when assigning final grades:

1. Your average weighted score as a percentage of the available points for all assignments (the points you receive divided by the number of points possible).
2. Overall average percentage score within the class.
3. Your ranking among all students in the class.

CLASS PARTICIPATION

Class participation is an extremely important part of the learning experience in this course as the richness of the learning experience will be largely dependent upon the degree of preparation by *all* students prior to each class session.

We require class participation in lectures and case discussion. A course that incorporates the frequent use of case analyses to illustrate the practical application of concepts and practices requires the student to diligently and thoroughly prepare cases and actively offer the results of the analyses and conclusions derived as well as recommendations during each class session. Our expectation and that of your classmates are that you are prepared for *all* classes and will actively participate in and meaningfully contribute to class discussions.

In-class participation is also a critical part of this course's learning experience. Cold calling may take place to encourage active participation and to gain multiple perspectives and points of view,

thus lending itself to the richness of the learning experience. In-class participation grading will be based on students' demonstrated willingness to participate and the quality of the comments expressed, rather than quantity. While some students are far more comfortable than others with class participation, *all* students should make an effort to contribute meaningfully.

Students will offer their opinions in group settings many times in their careers; thus, class participation serves to prepare students for this business experience.

The evaluating of in-class participation is based on the following:

- *Relevance* – Does the comment or question meaningfully bear on the subject at hand? Irrelevant or inappropriate comments can detract from the learning experience.
- *Responsiveness* – Does the comment or question connect to what someone else has said?
- *Analysis* – Is the reasoning employed consistent and logical? Has data from course materials, personal experience, or general knowledge been employed to support the assertions/findings?
- *Value* – Does the contribution further the understanding of the issues at hand?
- *Clarity* – Is the comment concise and understandable?

During class sessions, we frequently assume the role of a facilitator to encourage a discussion that includes perspectives from a variety of viewpoints and, secondly, to help pull together prevailing analyses and recommendations. The direction and quality of a discussion is the *collective responsibility of the class*.

For each in-class session two (2) points will be awarded to a student for relevant and meaningful participation, one (1) point for modest contributions to the class and zero (0) points for no participation or absence.

Class Participation—Behavioral Anchor Rating Scale:

Excellent Performance

- Initiates information relative to topics discussed
- Accurately exhibits knowledge of assignment content
- Clarifies points that others may not understand
- Shares personal experiences or opinions related to topic
- Offers relevant / succinct input to class
- Actively participates in class exercises
- Demonstrates ability to apply, analyze, evaluate & synthesize course material.
- Demonstrates willingness to attempt to answer unpopular questions
- Builds on other students' contributions

Average Performance

- Participates in group discussions when asked
- Demonstrates knowledge of course material
- Offers clear, concise, “good” information on class assignments
- Offers input, but tends to reiterate the intuitive

- Attends class regularly

Unacceptable Performance

- Fails to participate even when directly asked
- Gives no input to discussions
- Does not demonstrate knowledge of the readings
- Shows up to class: does nothing
- Distracts group / class
- Irrelevant discussion

INDIVIDUAL ASSIGNMENTS: EXAMS

We require that each student take two exams. The exams will include short answer and essay portions. The exams might be case-based in which case the cases will be given in class prior to exam week. The dates of the exam are listed in the Course Calendar.

Makeup Exams: Other than for religious observances and health reasons, makeup exams are considered on a case-by-case basis.

GROUP PROJECTS

Students will form groups of four to five by the second week of the class, to conduct two sets of activities. Each group will hand in the case write-ups with 3 pages of text (font size 12, single space) on the day of the case discussion (see Course Schedule for the dates for case discussion of group projects 1 and 2). You are required to address the case questions that I will send to you later. In the write-up, however, structure the case report as if you are presenting it to your client in a consulting project. Don't simply answer the questions but make it a coherent report. You will be graded based on written presentation (20%), logic and justification in the arguments (80%).

The two group projects should be submitted via Blackboard by 11am on the day it is due (for both sections). The submitted assignments will be checked for originality using the "Turnitin" option in Blackboard.

- Any assignment turned in late, even if by only a few minutes, will receive a grade deduction (for example, if your work is a B+ grade, you will be given a C+ grade).
- Please also send me a copy of the project by email when you make the submission.

It is important for group members to work closely with one another and effectively perform the teamwork. We encourage the students to contact us with any questions or issues about the functioning of teams. I may ask each student to submit a peer evaluation form at the end of the semester; the peer evaluation form is attached in Appendix I.

STATEMENT ON ACADEMIC CONDUCT AND SUPPORT SYSTEMS
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Academic Conduct:

Students are expected to make themselves aware of and abide by the University community's standards of behavior as articulated in the [Student Conduct Code](#). Plagiarism – presenting someone else's ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in *SCampus* in Part B, Section 11, "Behavior Violating University Standards" policy.usc.edu/scampus-part-b. Other forms of academic dishonesty are equally unacceptable. See additional information in *SCampus* and university policies on scientific misconduct at <http://policy.usc.edu/scientific-misconduct>.

Students and Disability Accommodations:

USC welcomes students with disabilities into all of the University's educational programs. The Office of Student Accessibility Services (OSAS) is responsible for the determination of appropriate accommodations for students who encounter disability-related barriers. Once a student has completed the OSAS process (registration, initial appointment, and submitted documentation) and accommodations are determined to be reasonable and appropriate, a Letter of Accommodation (LOA) will be available to generate for each course. The LOA must be given to each course instructor by the student and followed up with a discussion. This should be done as early in the semester as possible as accommodations are not retroactive. More information can be found at osas.usc.edu. You may contact OSAS at (213) 740-0776 or via email at osasfrontdesk@usc.edu.

Support Systems:

Counseling and Mental Health - (213) 740-9355 – 24/7 on call
studenthealth.usc.edu/counseling

Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention.

National Suicide Prevention Lifeline - 1 (800) 273-8255 – 24/7 on call
suicidepreventionlifeline.org

Free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week.

Relationship and Sexual Violence Prevention Services (RSVP) - (213) 740-9355(WELL), press "0" after hours – 24/7 on call
studenthealth.usc.edu/sexual-assault

Free and confidential therapy services, workshops, and training for situations related to gender-based harm.

Office for Equity, Equal Opportunity, and Title IX (EEO-TIX) - (213) 740-5086
eeotix.usc.edu

Information about how to get help or help someone affected by harassment or discrimination, rights of protected classes, reporting options, and additional resources for students, faculty, staff, visitors, and applicants.

Reporting Incidents of Bias or Harassment - (213) 740-5086 or (213) 821-8298

usc-advocate.symplicity.com/care_report

Avenue to report incidents of bias, hate crimes, and microaggressions to the Office for Equity, Equal Opportunity, and Title for appropriate investigation, supportive measures, and response.

The Office of Student Accessibility Services (OSAS) - (213) 740-0776

osas.usc.edu

OSAS ensures equal access for students with disabilities through providing academic accommodations and auxiliary aids in accordance with federal laws and university policy.

USC Campus Support and Intervention - (213) 821-4710

campussupport.usc.edu

Assists students and families in resolving complex personal, financial, and academic issues adversely affecting their success as a student.

Diversity, Equity and Inclusion - (213) 740-2101

diversity.usc.edu

Information on events, programs and training, the Provost's Diversity and Inclusion Council, Diversity Liaisons for each academic school, chronology, participation, and various resources for students.

USC Emergency - UPC: (213) 740-4321, HSC: (323) 442-1000 – 24/7 on call

dps.usc.edu, emergency.usc.edu

Emergency assistance and avenue to report a crime. Latest updates regarding safety, including ways in which instruction will be continued if an officially declared emergency makes travel to campus infeasible.

USC Department of Public Safety - UPC: (213) 740-6000, HSC: (323) 442-120 – 24/7 on call

dps.usc.edu

Non-emergency assistance or information.

Office of the Ombuds - (213) 821-9556 (UPC) / (323-442-0382 (HSC)

ombuds.usc.edu

A safe and confidential place to share your USC-related issues with a University Ombuds who will work with you to explore options or paths to manage your concern.

Occupational Therapy Faculty Practice - (323) 442-3340 or otfp@med.usc.edu

chan.usc.edu/otfp

Confidential Lifestyle Redesign services for USC students to support health promoting habits and routines that enhance quality of life and academic performance.

ADDITIONAL INFORMATION

Class Notes Policy:

No recording and copyright notice. It is a violation of USC's Academic Integrity Policies to share course materials with others without permission. No student may record any lecture, class discussion or meeting with me without my prior express written permission. The word 'record' or the act of recording includes, but is not limited to, any and all means by which sound or visual

images can be stored, duplicated or retransmitted whether by an electro-mechanical, analog, digital, wire, electronic or other device or any other means of signal encoding. I reserve all rights, including copyright, to my lectures, course syllabi and related materials, including summaries, PowerPoints, prior exams, answer keys, and all supplementary course materials available to the students enrolled in my class whether posted on Blackboard or otherwise. They may not be reproduced, distributed, copied, or disseminated in any media or in any form, including but not limited to all course note-sharing websites. Exceptions are made for students who have made prior arrangements with DSP and me.

Retention of Graded Coursework:

All graded work which affected the course grade will be retained for one year after the end of the course *if* the graded work has not been returned to the student.

COURSE CALENDAR

Week/Date	Topics	Cases	Readings and videos	Assignments
1 Jan 9	What is corporate governance?	Short cases: 1. Market vs. Firm: Explicit vs. Implicit Contract 2. Property rights in various contexts	Videos: 1. Market vs. Firm 2. Property Rights and Organization Cost	Prepare for case discussion
1 Jan 11	Governance, agency cost and accounting U.S. corporate governance	Short case: Stewardship role of accounting Case: Enron (U.S.)	Videos: 2. Agency cost	Prepare for case discussion
2 Jan 16	U.S. corporate governance: from the 60's to SOX	Short cases: 1. Apple's board members 2. Is combining the chairman and CEO positions bad for governance?	Required reading: Holmstrom, Bengt, and Kaplan (2003)	Prepare for discussion of required reading and case discussion
2 Jan 18	U.S. corporate governance: how does it work?	Debate: U.S. CEOs are overpaid? Short cases: 1. Netflix's poison pill 2. P&G Proxy Fight		Prepare for debate and case discussion
3 Jan 23	Continental Europe and Japan	Case: Dieselgate (Germany) Short cases: 1. Pyramids 2. Concentration of Ownership	Required reading: Franks and Mayer (1997)	Prepare for case discussion and discussion of required reading Submit case project to

				Blackboard by 11am, Jan 23.
3 Jan 25	Institutions, ownership, and corporate governance	Short cases: 1. Family firms vs. Keiretsu in Japan 2. Institutions and growth Debate: The world should converge to a U.S. style corporate governance system	Videos: Institutions, governance, and economic growth	Prepare for debate and case discussion
4 Jan 30	Exam 1			
	South Asia	Case: Asia Pulp and Paper (Indonesia)		Prepare for case discussion
4 Feb 1	Southeast Asia	Case: Satyam (India) Short case: Computation of separation of cash flow and voting rights in pyramids.		Prepare for case discussion
5 Feb 6	Asian family firm corporate governance	Case: Ayala (The Philippines) Short cases: 1. Ayala's BPI 2. Why do we have family firms?	Required reading: Khanna and Palepu (1997) and Rajan and Zingales (1998) Video: Stock Pyramid	Prepare for discussion of required reading

5 Feb 8	Family succession	Case: Samsung (S. Korea) Short cases: Small Firm Succession Cases; Bechtel, a family-controlled global construction giant (US)	Video: Family Firm, Special Assets, and Succession Required reading: Tully, May 17, 2016 (Fortune article on Bechtel)	Prepare for case discussion
6 Feb 13	Social norm	Case: Olympus (Japan)	Video: Social Norms and Relational Contracts	Prepare for case discussion Submit case project to Blackboard by 11am, Feb 13
6 Feb 15	Law and governance	Case: Dasheng Cotton Mills (China) Short Cases: 1. Law and Ownership Concentration 2. Law, Culture, and Contracts		Prepare for case discussion
7 Feb 20	Founder-controlled tech firms	Cases: Facebook (U.S.) Alibaba (China)	Required reading: Soros (2018) McNamee, Jan 17, 2019 (Time article) Hughes, May 9, 2019 (New York Times article)	Prepare for case discussion.

7 Feb 22	ESG	Case: JetBlue (US) Debate: Is ESG an agency problem?	Required reading: Friedman (1970) Stout (2012)	Prepare for the debate, case discussion, and discussion of required reading
8 Feb 27	Institutions, governance, and Accounting	Case: IFRS (multiple countries) Debate: Should firms around the world practice conservative accounting to improve corporate governance? Short cases: 1. Stakeholder governance and accounting 2. Relational contracts and accounting		Prepare for debate and case discussion
8 Feb 29	Exam 2			
	Wrap up			

REQUIRED READINGS

References:

Franks, Julian, and Colin Mayer. "Corporate ownership and control in the UK, Germany, and France." *Journal of Applied Corporate Finance* 9, no. 4 (1997): 30-45.

Friedman, Milton. "The social responsibility of business is to increase its profits." *The New York Times*, Sept 13, 1970.

Holmstrom, Bengt, and Steven N. Kaplan. "The state of US corporate governance: What's right and what's wrong?." *Journal of Applied Corporate Finance* 15, no. 3 (2003): 8-20.

Hughes, Chris. "It's time to break up Facebook." *New York Times*, May 9, 2019.

Khanna, Tarun, and Krishna Palepu. "Why focused strategies may be wrong for emerging markets." *Harvard business review* 75 (1997): 41-54.

McNamee, Roger. "I mentored Mark Zuckerberg. I loved Facebook. But I can't stay silent about what's happening." *Time*, January 17, 2019.

Rajan, Raghuram G., and Luigi Zingales. "Which capitalism? Lessons from the east Asian crisis." *Journal of Applied Corporate Finance* 11, no. 3 (1998): 40-48.

Soros, George. "The social media threat to society and security." *Project Syndicate*, February 14, 2018.

Stout, Lynn. "The problem of corporate purpose." *Issues of Governance Studies*, no. 48 (2012): 1-14.

Appendix I

PEER EVALUATION FORM

Please identify your team and team members for the ____ Project(s) that you worked on. Then rate all your team members, *including yourself*, based on the **contributions** of each team member for the selected assignment according to the criteria listed below. On a scale of 0 – 2 with 0 indicating does not meet expectations, 1 meets expectations and 2 exceeds expectations, rate each person on each of the five criteria. Lastly, add up the points for each person with the maximum number of points for each person being 10. In the box below, describe the exact contributions of each team member, including yourself.

Team Members/ Assessment Criteria of Team Contributions	Team Member 1	Team Member 2	Team Member 3	Yourself
1. Role Performance				
2. Assists Team Members				
3. Listening and Discussing				
4. Research and Information Sharing				
5. Time Management				
Total				

Contribution details: