BSNS 5340: Understanding Corporate Fraud

Course Objectives

Managers should be aware of circumstances that can lead to business frauds.
- Frauds can and do happen in some of the best-run companies.
- Audits may not detect most frauds.
- Fraud prevention is usually less expensive than most potential losses.

The course objective is to heighten awareness and develop insights into fraud-prevention and detection systems. Material covers fraud opportunities, internal control, existing and emerging laws pertaining to fraud, evolution of the accounting profession, and auditing standards issued in the wake of recent fraud scandals.

Office Hours: Tuesday -- 11:00 am to 2:00 pm; Wednesday -- 12 noon to 3:00 pm
Other times by appointment only.

Prerequisites: ACCT 2110, ACCT 2120, FINA 3110, PLAW 3110 or equivalents

Materials Required:

Corporate Governance, 1st Edition
Kenneth A. Kim State University of New York at Buffalo
John R. Nofsinger Washington State University
Published by Pearson / Prentice-Hall © 2004
ISBN/ISSN: 0-13-142387-8

Fraud Examination and Prevention, 1st Edition
W. Steve Albrecht Brigham Young University
Chad O. Albrecht Brigham Young University
Published by South-Western Educational & Professional Publ. HB © 2004
ISBN/ISSN: 0-538-72689-X

Detecting Earnings Management, 1st Edition
Gary Giroux Texas A & M University
Published by John Wiley & Sons © 2004
ISBN/ISSN: 0-471-47086-4

Wall Street Journal Subscription
<table>
<thead>
<tr>
<th>Grading Components</th>
<th>Grading Scale</th>
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<tbody>
<tr>
<td>Student Presentations</td>
<td>50% A</td>
</tr>
<tr>
<td>Written Project</td>
<td>30% B</td>
</tr>
<tr>
<td>Class Participation (subjective)</td>
<td>20% C</td>
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<tr>
<td>WSJ and HW discussions</td>
<td>F</td>
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Plus/minus grading will be applied at the professor’s discretion as a means of rewarding extra effort. Grading scale above provides estimated ranges for general grading without regard to any plus/minus points awarded to students.

**Incomplete:** A grade of incomplete will be considered only in cases of verifiable hardship and only when the requesting student has a passing grade at the time of request. If in doubt about your ability to pass the course, consider the options available under the very liberal course withdrawal policy of RSC. A failing grade is not a justification for a grade of incomplete.

**Academic Honesty:** Students are expected to complete their own work (papers and presentations) unless otherwise indicated as a group activity. Be sure to credit any quoted sources when completing your papers, including quotations taken from the WSJ, or company annual reports and management discussions. It is expected that papers will be written individually and evidence of plagiarism will be treated as a serious infraction of Stockton’s Academic Honesty policy.

**Classroom Etiquette:**

- **Attendance:** Students are expected to attend class regularly, arrive on time and stay until the class is dismissed at end of period. Should situations arise requiring absence from class, late arrival or early departure, students should advise the professor at the earliest time possible. Students are individually responsible for acquiring notes and details about missed classes from their classmates. Late arrivals and early departures should be handled with the least amount of disruption possible.

- **Food and Beverages:** Meals and snacks should be consumed before coming to class or after leaving the class, not in the classroom. Anyone bringing food into the classroom should plan on providing enough for the entire class to partake or expect to be asked to leave the room with their food. Beverages will be permitted as long as it does not become problematic. Gum chewing is strictly prohibited and students will be asked to discard gum or leave the classroom when violations are noted.

- **Cell Phones, Beepers and other electronic devices:** Allowing cell phones or beepers to interrupt the class is rude. Be sure to turn off the ringers before you come to class if you don’t want me answering them for you. Tape recorders may not be used, except by special arrangement with the professor. Use of all other electronic devices that emit sounds or require repetitive actions are prohibited during class meetings.
Presentations

Each student must research a particular company or fraud episode and present a detailed explanation to the class. Topics must be approved by the instructor and will be approved on a first-come-first-served basis. The presentation should utilize the principles and information covered in the course. Grading is based on peer evaluations and instructor evaluation of content, organization of material and presentation, clarity, quality and quantity of material, visual aids, answers to class questions, and depth of research and analysis. Presentations will commence approximately one-third through the semester and students are urged to consider other course loads and work commitments in requesting their presentation dates. No allowance is made for a missed presentation. The presentations are intended to provide students with an opportunity for in-depth research and analysis of fraud events with summarization in a professional presentation.

Wall Street Journal

As a business professional and an MBA student, you should be reading the Wall Street Journal on a regular basis. The first WSJ requirement is to be aware of and prepared to discuss any articles that have appeared in the Journal in the preceding week that apply in any way to the material being covered in the class. You should bring a copy of those articles to class each week, be prepared to summarize the article content, and discuss the merits of information provided in the article. This constitutes much of your required class participation.

Paper

In your required paper you will analyze your employer and employment situation, in light of the material covered. Address the “fraud opportunities” available to you, your boss(es) or your subordinates based on job responsibilities and authority. Describe how you and those around you could perpetrate frauds on your employer and/or outsiders and what, if any, controls exist to prevent such abuses. Additionally, you should identify ways in which you or your employer can limit or eliminate these fraud opportunities, describing applicable procedures and methods in detail. Explain any hurdles you might face in implementing these remedies at your company, such as corporate culture, costs, resistance to change, etc. You are not required to disclose the identity of your employer. Those reluctant to document current workplace vulnerabilities may elect to cover a previous employment or volunteer work experience instead.

The paper should address the following (at a minimum):

1. Explain the business and your position before delving into the body of the paper.
2. Address three major areas - opportunities, prevention, and detection.
3. Utilize good structure, organization, and headings.
The writing quality and style should be that of a graduate student and should include analysis and evaluation, not just reporting of information. The following competencies will be considered in evaluating papers:

- Identification of risks or fraud possibilities
- Identification of potential solutions
- Evaluation of the cost/benefit of alternative solutions
- Organization and evaluation of information, alternatives, cost/benefits
- Objective identification of strengths, weaknesses, opportunities, and threats associated with the internal control and fraud environment situations
- Linking data, knowledge, and insights together for decision-making purposes
- Preparation of report with objectivity, conciseness, and clarity
- Utilization of relevant laws, standards, rules, and other information
- Organization and effective display of information so that it is meaningful
- Valid and reliable evaluation of information
- Recommendations and supporting arguments.

Papers should be word-processed (utilizing spell-check and grammar-check tools!), double-spaced with one-inch margins all around. Paper length should be long enough to cover all relevant observations, analysis, and recommendations using concise language. As a general guideline, I will expect papers to be between 8 – 12 pages. Be sure to use a cover page with the paper title, the course acronym and title, the semester of completion, and your name. It would also be a good idea to put a header or foot on every page with the page number and your last name so you can receive full credit in the event papers get separated. Do not use report covers; staple your papers in the upper left hand corner only.

“**A**” will be assigned if the paper includes:

- All the requirements of a B paper (see below)
- Inviting presentation
- Creative analysis
- Thorough application of course materials
- A discussion of the company politics, as they relate to the topic

“**B**” will be assigned if the paper includes:

- All the requirements of a C paper (see below)
- No spelling or grammar errors that could have been caught using word processing tools
- A demonstration of reflective thought
- Some creativity
- Clear and logical thought pattern
• Thorough research on the topic
• Accurate conclusion based on legal analysis

“C” will be assigned if the paper includes:
• Deadline met
• Four or fewer grammar and/or spelling mistakes
• Professional presentation
• Cover page including title, student name, and course information
• The four minimum requirements enumerated above
• Appropriate section headings
• Some course material application

“D” will be assigned when:
• A paper is handed in by the deadline and fails to meet one or more of the “C” grade criteria
• If the paper reports only facts and opinions, with no analysis of those facts or supporting details for the opinions.

“F” will be assigned when the paper is not submitted by the deadline or if the paper fails to meet more than half of the “C” paper requirements
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<tr>
<th>Class of:</th>
<th>Reading Assignment</th>
<th>Class Activities</th>
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<tr>
<td>Sep. 07</td>
<td>Syllabus</td>
<td>Review Syllabus, sample presentations, WSJ articles</td>
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<tr>
<td>Sep. 14</td>
<td>Corporate Governance</td>
<td>Exercises 2-2, 2-3, 2-4; 3-4; 5-1; 6-2; 7-3; 8-1, 8-4; 9-1, 9-2, 9-3, 9-4</td>
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<tr>
<td>Sep. 21</td>
<td>Read the entire book</td>
<td>WSJ discussions</td>
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<td>Sep. 28</td>
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<td>Oct. 05</td>
<td>Fraud Examination &amp; Prevention</td>
<td>Discussion questions will be provided the preceding week.</td>
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<td></td>
<td>Chapters 1, 2 and 3</td>
<td>WSJ discussions</td>
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<tr>
<td>Oct. 12</td>
<td>Fraud Examination &amp; Prevention</td>
<td>Discussion questions will be provided the preceding week.</td>
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<td>Chapters 4, 5 and 6</td>
<td>WSJ discussions</td>
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<td>Oct. 19</td>
<td>Detecting Earnings Management</td>
<td>Discussion questions will be provided the preceding week.</td>
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<td>Chapters 1, 2 &amp; 3</td>
<td>WSJ discussions</td>
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<td>Oct. 26</td>
<td>Fraud Examination &amp; Prevention</td>
<td>Project Presentations</td>
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<td>Chapters 10, 11, and 12</td>
<td>Discussion questions will be provided the preceding week.</td>
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<td>WSJ discussions</td>
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<td>Nov. 02</td>
<td>Detecting Earnings Management</td>
<td>Project Presentations</td>
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<tr>
<td></td>
<td>Chapters 4 and 5</td>
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<td>Nov. 09</td>
<td>Detecting Earnings Management Chapters 6 and 7</td>
<td>Project Presentations Discussion questions will be provided the preceding week. WSJ discussions</td>
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<td>Nov. 16</td>
<td>Detecting Earnings Management Chapters 8 and 9</td>
<td>Project Presentations Discussion questions will be provided the preceding week. WSJ discussions</td>
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<td>Nov. 23</td>
<td>Thanksgiving Holiday No Class</td>
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<td>Nov. 30</td>
<td>Fraud Examination &amp; Prevention Chapters 13 and 15</td>
<td>Project Presentations Discussion questions will be provided the preceding week. WSJ discussions</td>
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<td>Dec. 07</td>
<td>Detecting Earnings Management Chapters 10 and 11</td>
<td>Discussion questions will be provided the preceding week. WSJ discussions Papers Due</td>
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<td>Dec. 14</td>
<td>Final Class</td>
<td>General discussion of all materials</td>
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**NOTE:** This syllabus is a tentative schedule, subject to change. Verbal notification of any change to any of this information at any regularly scheduled class meeting or web postings will constitute sufficient notice. You are responsible to be aware and adapt to any posted changes.