

Corporate Governance and Financial Analysis 38:578:538 Spring 2023

Professor: Peter Rokkos

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Office Hours: Office hours for Professor Rokkos are typically, between 5-7pm

Wednesdays although please email to confirm as this time changes) and otherwise by appointment.

Time:

Live Class Session (LIVE ON WEBEX):

Monday 7:40-9PM beginning January 23

Weekly Asynchronous Session (ASYNCHRONOUS ONLINE):

Typically posted on Canvas before Wednesday following our Live Class Session by 12:00PM; see Announcements on Canvas for details.

Location:

Live Class Session: WebEx Live

Weekly Asynchronous Session: Posted on Canvas Wednesday following Live Class Session

Course Description: Corporate governance issues; financial statement analysis; and cost accounting for collective bargaining and workplace management. Students will become conversant with the major issues of the modern corporation and the major social science questions raised about the corporation in terms of governance and its role in society and the important research questions and sources of evidence on corporate behavior. This course then pivots over to apply these concepts towards corporate financial decision making. We will examine the relationships between corporate finance and labor relations. In addition, you will learn how to use financial decision-making techniques for assessing and developing practices and programs in labor relations.

Course Structure Overview: This course will be presented over 14 weeks with a focus on providing weekly ongoing interaction and material development and requiring live student participation in each particular segment. My goal is to present the materials in a manner that maximizes interactions weekly with students, the topics covered and current events; while providing contingencies if live participation at a given point in time becomes impossible. This balance will require your help so your weekly live participation in lectures, discussion forums and other forms in real time is greatly appreciated. My strong desire is for nearly all of you to be active and contributing live and in person during our normal class scheduled meetings.

Course Delivery Format: The course delivery mode is a combined hybrid live and asynchronous model; meaning that the learning activities take place once a week in a Live Class Session (which will take place live on WebEx) and once a week in a Weekly Asynchronous Session. The recorded Weekly Asynchronous Session will be posted typically by Wednesday at noon following our Live Class Session. Video recordings of our Live Class Sessions will be made available in case of absence however these sessions will consist primarily of discussions so absences from Live Class Sessions will negatively impact your performance in the course.

We will be utilizing the Canvas learning management system to access learning materials, post announcements, submit Assignments, post to Discussion forums, communicate via the Inbox feature, attend live sessions through WebEx, and take exams. Be sure to check this site frequently as there will be announcements and instructions.

Canvas: The course will be using Canvas extensively; the course site for Canvas may be accessed through the following link:

<https://rutgers.instructure.com/courses/228922>

If you are new to Canvas, be sure to complete the Canvas Tutorials under Course Tools Tutorials section of the Modules.

School of Management and Labor Relations Learning Goals Met by This Course

II) Quantitative, Qualitative and Analytical Skills – Apply appropriate quantitative and qualitative methods for research workplace issues.

V) Understanding Context - Evaluate the context of workplace issues, public policies, and management decisions

VII) Professional Development – Demonstrate an ability to interact with and influence others in a professional manner, and to effectively present ideas and recommendations

Text: *Financial Statements, Fourth Edition: A Step-by-Step Guide to Understanding and Creating Financial Reports* by Ittelson, Thomas R. 2022

Amazon Price ~\$10-20

This text is referred to below as the “*Financial Statements Text*”

A Real Look at Real World Corporate Governance Paperback by David Larcker (Author), Brian Tayan (Author), Michelle E. Gutman (Editor) 2013

Amazon Price ~\$15

This text is referred to below as the “*Corporate Governance Text*”

Additional materials as indicated below will be made available on Canvas.

Required Software: Adobe Acrobat Reader and Microsoft Word, Excel, and PowerPoint or other software with similar functionality by Google, Apple and others

Prerequisites: An active e-mail account, netid, access to Canvas and basic knowledge of Microsoft Word, Excel, WebEx, Arithmetic, and Algebra (ratios, percentages, and word problems) are required.

Recommended: The reading of business publications such as the Wall Street Journal, New York Times or the Harvard Business Review is highly encouraged. Many business publications are available through the University Library– a service for which you have already paid. Additional web sites offering business insights in general and specific articles on CG&FA will be discussed in

class and linked through Canvas. These sources can provide you with details for the Participation component of your grade discussed below.

Class Approach: There will be a lecture at each class and then a discussion of a series of cases. Power Point presentations used during the lecture will be posted shortly prior to class on Canvas so that you can use them as a basis for taking notes or to follow along.

Required Work

Participation. Each student will be required to submit a comment on Canvas during most weeks prior to each class using the Assignments folder on Canvas. **This is part of your Class Discussion Participation grade which accounts for 20% of your overall grade.** These comments should address issues discussed in the current week's readings, or topics in the news relating to these materials. See Canvas each week for details on a particular week's submission. Students will be called upon in class to discuss their Participation comment so please come to class prepared to engage on the comment you provided. **Failure to be available in class to discuss your Class Discussion Participation comment will materially impact your grade for your Class Discussion Participation submission during that class.**

In addition, each student will be required to post a comment on the class's discussion forum page each week with an observation or thought on the prior week's lecture and respond to one other student's comment. These comments should address issues discussed during the lecture, in the current week's readings, or topics in the news relating to these materials. **This is part of your Lecture Review Participation grade which accounts for 10% of your overall grade.**

Students will be expected to confirm that they watched the Weekly Asynchronous Session by commenting on the Discussion forum for the class before the next Live Class Session; keep an eye on Canvas for details.

These 3 forms of weekly participation (a discussion forum comment and reply regarding the prior week's lecture, a comment on the Weekly Asynchronous Session and a participation comment on a designated topic which we will discuss in the following class) are part of your overall Participation grade which accounts for 30% of your overall grade.

In addition to the weekly Participation Assignments, students will take one online timed midterm exam and one take home final exam during exam week.

Students will also participate in a group class exercise during the last two weeks of the semester.

Assessment Policy

Grading: Grades will consist of the following components of 100% of the grade:

Midterm Exam (Financial Analysis)	15%
Final Exam (Corporate Governance)	15%
Class Discussion Participation	20%
Lecture Review and Weekly Asynchronous Session Participation	10%
Class Exercise	4%
Homework Assignments (~6 bi-weekly)	36%

Letter Grade	Scores Based on Course Components
A	90-100
B+	85-89
B	80-84
C+	75-79
C	70-74
D	60-69
F	< 60

Note: Rounding up or down for ‘in between grades’ will be based on multiple factors including participation and attendance; but will only be considered for 1% point. For example, an 84.6% may round up to an 85% for a B+ if attendance and participation are exceptional; an 84.4% will in all but exceptional instances not round up; and a 83.9% will not be considered for rounding up to a B+. The thresholds for final letter grades will be re-scaled if a conventional standard seems unreasonable.

Requests for recommendations must be made in writing after completion of the course.

Attendance and Participation: Participation in the lectures is critical to the class both in terms of being present in class and fully participating. Attendance will be taken during each class, and those not participating will lose points on the Attendance and Participation scores. Materials will be presented in class that are not covered in the readings and they will make up a significant part of the examinations. All additional materials will be available on Canvas.

A student missing more than 50% of the classes will not receive credit for this course. Each student will have one excused absence that will not count towards these missed classes or receive any penalty to their attendance grade. This excused absence can be used for any reason and does not require a note, so it can be used for an absence related to an illness, for example.

At the instructor’s discretion, perfect attendance (attending all classes in full) and consistent contributions to class discussions and homework review may improve your final grade. Conversely, attendance below ~80% will reduce your final grade on a sliding scale.

Readings and Deadlines: All readings should be completed prior to the date noted on the syllabus. Due dates and deadlines are firm. Unless you can get prior approval, each day late will result in increasing penalties. You must download your assignments and upload your completed written assignments in the Assignments folder on Canvas.

Late Submission Penalty: Immediate 10% for each grade component submitted late with penalties increasing daily after that. Please note that assignment due dates are tentative until confirmed in class.

Assigned Readings: Note that the assigned readings indicated below will be revised over the course of the semester; please pay attention during class and on Canvas for specific assignments and due dates.

Week 1: Introduction; Financial Accounting

January 23

- **Financial Statements Text**
 - Chapters 1 and 2
 - Assignment 1 to be posted on Canvas – Target due date February 6 at 11:59pm

Week 2: Accounting Concepts, Statement of Cash Flows and Income Statement

January 30

- **Financial Statements Text**
 - Chapter 3
 - We will analyze major retailers such as Walmart, Amazon, Costco and Target

Week 3: Financial Statements

February 6

- **Financial Statements Text**
 - Chapter 4
 - Assignment 2 to be posted on Canvas – Target due date February 20 at 11:59pm

Week 4: Financial Analysis – the Importance of Free Cash from Operations

February 13

- **Financial Statements Text**
 - Chapter 5
 - Julie Hertenstein and Sharon McKinnon “Solving the Puzzle of the Cash Flow Statement.” 1997 *Business Horizons*.

Week 5: Financial Analysis –Ratio Analysis

February 20

- **Financial Statements Text**
 - Chapter 13
 - We will compare Wal-Mart to Target, Costco, and Amazon.
 - Assignment 3 to be posted on Canvas – Target due date March 6 at 11:59pm

Week 6: Introduction to Capital Budgeting: Discounted Cash Flow, Net Present Value, and Internal Rate of Return

February 27

- **Financial Statements Text**
 - Chapters 20 and 21

Week 7: **Mid-term Exam**

March 6

NO CLASS MARCH 13

Rutgers University Spring Break

Week 8: Corporate Governance Overview

March 20

- **Corporate Governance Text**
 - Part I and Part II
- *Managed by the Markets: How Finance Re-Shaped America* (select readings) by Gerald F. Davis. Oxford University Press, 2013
- Notes on Efficient Market Theory and Capital Asset Pricing Model
- Assignment 4 to be posted on Canvas – Target due date April 3 at 11:59pm

Week 9: Financialization; Shareholders

March 27

- **Corporate Governance Text**
 - Part I and Part II
- **Financial Statements Text**
 - Chapter 15

Week 10: Shareholders, Institutional Investors and Corporate Governance

April 3

- **Corporate Governance Text**
 - Part III and Part IV
- Income Dynamics, Economic Rents, and the Financialization of the U.S. Economy. Donald Tomaskovic-Devey and Ken-Hou Lin. *American Sociological Review* 2011 76: 538 originally published online 10 July 2011
- Financialization: What It Is and Why It Matters, Thomas I. Palley, The Levy Economics Institute, December 2007
- Assignment 5 to be posted on Canvas – Target due date April 17 at 11:59pm

Week 11: Directors and Officers; Duties; Corporate Malfeasance

April 10

- Principles of Corporate Governance: 2016; Business Roundtable
- Director Independence and Corporate Governance
- Advice for Corporate Officers
- Understanding Enron: It's About the Gatekeepers, Stupid, John C. Coffee, Columbia Law School, Center for Law and Economic Studies July 30, 2002

Week 12: Officers and Scandals; Executive Compensation; Employee Ownership

April 17

- Martin J. Conyon. 2006. "Executive Compensation and Incentives." *Academy of Management Perspectives* February pp 25-44.
- Lucian Bebchuck and Jesse M. Fried, 2005, "Pay without Performance: Overview of the Issues." *The Journal of Corporation Law* Summer pp. 647-673.
- Charles A. O'Reilly III and Brian G.M. Main. 2007. "Setting the CEO's Pay: It's more than Simple Economics." *Organizational Dynamics*, Vol. 36, No. 1, pp. 1-12
- A New Framework for Executive Compensation
- Accounting Scandals, Ethical Dilemmas and Educational Challenges
- Assignment 6 to be posted on Canvas – Target due date May 1 at 11:59pm

Week 13: M&A; Scorekeepers and Securities Regulation

April 24

- Michael Jensen. “Takeovers: Their Causes and Consequences.” 1988 *Journal of Economic Perspectives*, 21-48.
- Gergor Andrade, Mark Mitchell, and Erik Stafford, 2001 “New Evidence and Perspectives on Mergers, *Journal of Economic Perspectives* 15, 103-120
- Corporate Governance, Corporate Ownership, and the Role of Institutional Investors: A Global Perspective

Week 14: Ethics; International Corporate Governance; and Class Exercise

May 1

- Class Exercises
- Rafael LaPorta, Florencio Lopez-de-Sileanes, and Andrei Shleifer, 1998, “Corporate Ownership Around the World,” NBER Working Paper 6625.
- Sanford M. Jacoby. 2005. “Corporate Governance in Comparative Perspective: Prospects for Convergence.” *Comparative Labor Law and Policy Journal* Vol. 22:5, 5-32.
- Klaus Gugler, Dennis C. Mueller, B. Burcin Yurtoglu, Christine Zulehner. 2003. “The effects of mergers: an international comparison.” *International Journal of Industrial Organization* 21 (2003) 625–653

Final Exam will be a take home final exam to be assigned on the last day of class to be submitted in the Assignments folder on Canvas by 11:59pm ~Monday May 8

Academic Integrity: All students are responsible for locating, reading, and abiding by the University Policy on Academic Integrity for Undergraduate and Graduate Students. The policy is available on-line at <http://cat.rutgers.edu/integrity/policy.html>.

The rights of students will be protected to ensure that test scores are related to competence in the subject matter. Therefore, all examinations will be carefully proctored. If cheating is detected, it will be prosecuted to the limit allowed by University policies.

Some additional thoughts on assignments, exams and academic integrity:

- All homework assignments and the take home final exam are to be handed in via Canvas, using the Assignments tab.
- Submissions must be complete; no partial assignments can be submitted, they will not be accepted.
- Cheating or copying from another student’s answers will result in a ZERO for both involved.
- Working or studying together does not constitute as cheating as long as all work is original and not duplicated.
- Uploading or downloading course answers/materials/etc. or someone else’s work from previous semesters is plagiarism and considered cheating resulting in a zero grade.
- Open book and open note exams are given to allow for a more realistic work environment that grants students access to all resources they could apply to a problem. Using these resources to search for relevant information on the Internet is allowed however a Google search of a multiple-choice question to see if the answer key exists on the Internet is not.

Recommendations: Requests for recommendations must be made in writing after completion of the course.

Office Hours: Office Hours: Office hours for Professor Rokkos are typically over WebEx between 3-5PM Wednesdays (although please email to confirm as this time changes) and otherwise by appointment; in person office hours are available as well subject to current circumstances. I strongly encourage students to schedule some time for office hours, either in an office or at various areas across campuses, so please reach out.

Special Needs: Rutgers University welcomes students with disabilities into all of the University's educational programs. In order to receive consideration for reasonable accommodations, a student with a disability must contact the appropriate disability services office at the campus where you are officially enrolled, participate in an intake interview, and provide documentation: <https://ods.rutgers.edu/students/documentation-guidelines>. If the documentation supports your request for reasonable accommodations, your campus's disability services office will provide you with a Letter of Accommodations. Please share this letter with your instructors and discuss the accommodations with them as early in your courses as possible. To begin this process, please complete the Registration form on the ODS web site at: <https://ods.rutgers.edu/students/registration-form>.

University Resources

1. Counseling, ADAP & Psychiatric Services (CAPS): (848) 932-7884 / 17 Senior Street, New Brunswick, NJ 08901. CAPS is a University mental health support service that includes counseling, alcohol and other drug assistance, and psychiatric services staffed by a team of professional within Rutgers Health services to support students' efforts to succeed at Rutgers University. CAPS offers a variety of services that include: individual therapy, group therapy, and workshops, crisis intervention, referral to specialists in the community and consultation and collaboration with campus partners.
2. Violence Prevention & Victim Assistance (VPVA): (848) 932-1181 / 3 Bartlett Street, New Brunswick, NJ 08901. The Office for Violence Prevention and Victim Assistance provides confidential crisis intervention, counseling and advocacy for victims of sexual and relationship violence and stalking to students, staff, and faculty. To reach staff during office hours when the university is open or to reach an advocate after hours, call 848-932-1181.
3. Students may find appropriate resources if they are in need of help in the areas of (a) mental health, (b) academic coaching, and (c) financial assistance at: <https://smlr.rutgers.edu/about-smlr/spring-2023-information-smlr-students>
4. Students may find information on SMLR's scholarship offerings at: <https://smlr.rutgers.edu/academic-programs/scholarships>