

Corporate Governance and Financial Analysis

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Spring 2018

Professor: Peter Rokkos

Office Hours: Before and after class and otherwise by appointment.

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Time: Tuesday 7:20 – 10:00pm

Location: LEC Room 130

SYLLABUS

Course Description: Corporate governance issues; financial statement analysis; and cost accounting for collective bargaining and workplace management.

Text: *Financial Statements: A Step-by-Step Guide to Understanding and Creating Financial Reports* by Ittelson, Thomas R. 2009

Revised and Expanded Edition Career Press.

Amazon Price ~\$15 Paper or Kindle

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 \$14.99 Paper \$9.99 Kindle

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

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

Required Software: Microsoft Word, Excel, and PowerPoint, Adobe Acrobat Reader

Prerequisites: An active e-mail account, netid, access to Sakai and basic knowledge of Microsoft Word Excel, Arithmetic, and Algebra (ratios, percents, and word problems) are required. Students are strongly encouraged to review their basic math and Excel skills.

Grades: All readings should be completed prior to the date noted on the syllabus. Grades will be based on assignments, class participation, two exams, and one presentation. Due dates and deadlines are firm. Unless you can get *prior approval*, each day late costs you a letter grade. All course material except textbooks and databases will be available on Sakai. You must download your assignments and upload your completed written assignments in the Assignments folder on Sakai. Plan your time well. Grading weights are as follows:

Assignments and Class Presentation	50%
Class Attendance and Participation	10%
Midterm Exam: Financial Analysis	20%
Final Exam: Corporate Governance	20%

Attendance: Attendance is of critical importance. It is essential to keep up with the class material. Attendance will be taken during certain classes. If a student misses/will miss a class, then the student needs to send a courtesy e-mail message to the professor.

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 Sakai for specific assignments and due dates.

Week 1: Introduction; Financial Accounting

January 16

- **Financial Statements Text**
 - Chapters 1 and 2
 - Assignment 1 to be posted on Sakai – Target due date January 30 at 11:55pm

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

January 23

- **Financial Statements Text**
 - Chapter 3
 - We will analyze major retailers: Wal-Mart, Amazon, Costco, and Target

Week 3: Financial Statements

January 30

- **Financial Statements Text**
 - Chapter 4
 - Assignment 2 to be posted on Sakai – Target due date February 13 at 11:55pm

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

February 6

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

Week 5: Financial Analysis –Ratio Analysis

February 13

- **Financial Statements Text**
 - Chapter 13
 - We will compare Wal-Mart to Target, Costco, and Amazon.
 - Assignment 3 to be posted on Sakai – Target due date February 27 at 11:55pm

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

February 20

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

Week 7: **Mid-term Exam**

February 27

Week 8: Corporate Governance Overview

March 6

- **Corporate Governance Text**
 - Part I and Part II
- “Chapter 2, Financial Markets and Corporate Governance.” 2009. *Managed by the Markets: How Finance Re-Shaped America* by Gerald F. Davis. Oxford University Press
- Assignment 4 to be posted on Sakai – Target due date March 27 at 11:55pm

NO CLASS MARCH 13

Rutgers University Spring Break

Week 9: Accounting and Corporate Governance; Does Corporate Governance Matter in Efficient Capital Markets?

March 20

- **Corporate Governance Text**
 - Part I and Part II
- “Chapter 3, From Institution to Nexus: How the Corporation Got and Lost Its Soul.” 2009. *Managed by the Markets: How Finance Re-Shaped America* by Gerald F. Davis. Oxford University Press
- Notes on Efficient Markets Theory and Capital Asset Pricing Model.

Week 10: Executive Pay

March 27

- **Corporate Governance Text**
 - Part III and Part IV
- 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
- Assignment 5 to be posted on Sakai – Target due date April 10 at 11:55pm

Week 11: How Shareholder Value Capitalism Has Transformed Employment; Corporate Governance in Global Perspective – Diversity or Convergence?

April 3

- Rafael LaPorta, Florencio Lopez-de-Sileanes, and Andrei Shleifer, 1998, “Corporate Ownership Around the World,” NBER Working Paper 6625.
- Peter A. Gourevitch, 2003, “The Politics of Corporate Governance Regulation” *Yale Law Journal*, 112, 1828. Read pages 1828-1852.
- Sanford M. Jacoby. 2005. “Corporate Governance in Comparative Perspective: Prospects for Convergence.” *Comparative Labor Law and Policy Journal* Vol. 22:5, 5-32.

Week 12: Mergers & Acquisitions: Who’s Interest Do They Serve?

April 10

- 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
- Michael Jensen. 1987 “The Takeover Controversy: Analysis and Evidence.”
- Gergor Andrade, Mark Mitchell, and Erik Stafford, 2001 “New Evidence and Perspectives on Mergers, *Journal of Economic Perspectives* 15, 103-120
- Assignment 6 to be posted on Sakai – Target due date April 24 at 11:55pm

Week 13: Future of Regulation, Capitalism, and Corporate Governance

April 17

- Finance and Labor Perspectives on Risk, Inequality and Democracy, Sanford M. Jacoby. *30 Comparative Labor Law and Policy Journal* 7, Fall 2008
- 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
- Class Presentations

Week 14: Class Presentations; Catch up and wrap up

April 24

Final Exam date TBD

Posting of Grades: Please check Sakai for your final grades.

Assessment Policy:

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.

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>.