ACCOUNTING AND RISK
CLASS CODE: AG419
2014/2015 SEMESTER 2

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CLASS DESCRIPTION
Risk and risk management is the basis of many accounting techniques. Financial reporting was introduced to protect investors from the actions of bad or incompetent managers. Financial auditing was introduced to further enhance this risk management tool. Many business decisions are about balancing risks – for example decisions to insure or not to insure, what level of investment in safety equipment, to hedge against currency or interest rate movements. Accounting can be viewed as a desire to reduce risks.

Over the past few years new theories of risk have been emerging that question our understanding of risk and the way in which risk is factored into organisational and individual decision-making. These new theories question the applicability of objective risk and probability theories used in finance and accounting. The consequences of these theories have the potential to radically alter many accounting conventions and basic techniques. This class explores these potential consequences.

CLASS AIMS
This class will explore the emerging risk debate by introducing the students to a new literature base and consider the impact on accounting from this new risk perspective. Existing techniques will be deconstructed using risk theories and new ways of accounting for risk explored. Students will develop an enhanced risk framework offering new insights into existing problems and phenomena.

The class achieves these aims through students reading and developing an understanding of set text on risk from a number of disciplinary perspectives, student-led workshop discussions, and case studies.

LEARNING OUTCOMES
The following learning outcomes will contribute to your self-analysis and reflection in your Student’s Personal Development Planning (SPDP). These learning outcomes please contact Jillian D’Agostino in the departmental office of Accounting and Finance if alternative formats of teaching materials are required or if you need any other assistance.
will be assessed using the methods explained in the “Assessment” section in this Outline.

**Subject-specific knowledge and skills**

On completing this class you will be:
A1 - aware of the new risk literature
A2 - aware of the history and transformation of understanding of risk
A3 - aware of the different theoretical and philosophical roots of accounting for risk
A4 - aware of the subjective not objective nature of risk in society and business
A5 - aware of 'new' techniques and developments related to risk accounting
A6 - able to evaluate critically the effectiveness of accounting models and techniques from a risk perspective
A8 - able to design accounting techniques that more effectively manage risk than conventional techniques

**Cognitive abilities and non-subject specific skills**

During the class you will
B1 - Develop intellectual and professional competencies by analysing and evaluating evidence, logical reasoning and practical applications.
B2 - Develop communication skills – explaining, listening, discussion, questioning, presenting and defending a position, giving feedback, writing.
B3 - Develop intellectual understandings, clarifying concepts and theories by thinking, discussion, doing, observing and constructing connections.
B4 - Develop a mature learning stance by accepting personal responsibility for progress and direction of learning, questioning institutional authority and practices.
B5 - Grow as a person, clarifying your values, changing your attitude towards prior received wisdom, developing self-esteem, self-confidence.

**ASSESSMENT**

The modes of assessment are listed below. A mixed approach is taken as no single assessment can be expected to assess your achievements in the range of knowledge, skills and understandings appropriate to this class. Therefore a mix of assessments is used.

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<thead>
<tr>
<th>Assessment Element</th>
<th>% Weighting</th>
<th>Date Due</th>
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<tbody>
<tr>
<td>Reflective Case Study</td>
<td>20</td>
<td>Tues week 6</td>
</tr>
<tr>
<td>Book Review</td>
<td>20</td>
<td>Tues week 11</td>
</tr>
<tr>
<td>Case Study Exam</td>
<td>60</td>
<td>Exam diet</td>
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</table>

**Pass mark is 40%**

**Reflective Case Study**

Each student is required to complete a 2,000 word reflective case study assignment. The submission date for the essay is 3pm Tuesday Week 6, semester 2.

Please contact Jillian D'Agostino in the departmental office of Accounting and Finance if alternative formats of teaching materials are required or if you need any other assistance.
A basic outline of the case will be introduced in class in week 4 and will be based on a real event study. Research will be required by students to further familiarise themselves with the case. This may involve drawing upon personal experiences, prior learning and classes, books, academic and professional journal articles, newspaper articles, the internet, government/ professional body reports, annual accounts, gathering a limited set of empirical data or any other sources as appropriate.

Students will be allocated a role in the case and given a set of questions to answer from the perspective of their role. Answering the questions will require students to apply their knowledge of risk gained in the class to the case study while drawing on their research insights in the process. A marking guide for the reflective case study will be given out in the class.

Following assignment submission, the case will be the subject of a class debate in week 6 and will also be reflected upon by the guest speaker in week 7 and open for debate.

The reflective case study will be a useful in developing skills which students can draw upon for the case study exam. Please raise any queries on this piece of coursework in the class meetings or directly with the lecturer.

**Book Review**

Each student is required to prepare a book review (in essay format) of the set text Power, Michael (2007) Organized Uncertainty: designing a world of risk management. Oxford University Press. The review should be no more than 1,500 words long.

This review must be handed in by 3pm Tuesday Week 11 semester 2.

The book review should address the following questions/points:
1. What do you feel is the main message of the book?
2. What are your favourite ‘quotes’ and/or ‘facts’?
3. What are the most important things you learned from reading this book?
4. What things in the book did you disagree with or consider irrelevant?
5. Identify a number of accounting reforms that you believe the accounting profession must take if they are going to effectively respond to the changing risk agenda
6. How has your understanding of accounting changed as a consequence of reading this book?

Any queries on this piece of coursework should be raised in the class meetings or directly with the lecturer as soon as possible.

**The criteria used to assess the book review are listed below**

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<thead>
<tr>
<th>Criteria</th>
<th>Not Done</th>
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<th>Done Well</th>
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<tbody>
<tr>
<td>Main Message of Text</td>
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<tr>
<td>Favourite Quotes</td>
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<tr>
<td>Important Lessons</td>
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Case Study Exam
The exam will take place in the May/June diet. The examination will take the format of a case study.

You will be given a copy of the case study memorandum and introductory readings in Week 12 after the class. A further clean copy of this will be provided for you in the examination. You are not permitted to take notes into the examination. The memorandum will outline the role you are required to play in the case, key case circumstances, and introductory reading material. The provision of the memorandum in Week 12 will allow you time to familiarise yourself with case and to research relevant points. You will not be given the questions that relate to the case study in advance of the examination. You will be expected to answer two out of a choice of four questions.

As this is a new examination format for many students, the reflective case study assignment has been designed to complement the exam and introduce students to case study assessment. Additional time will be set aside in the class to hold a workshop on this style of examination.

Reassessment
As this is an honours level class there are no opportunities for re-assessment.

TEACHING AND LEARNING

This class is designed to incorporate features of student-centred learning in studying risk. Three main learning processes are adopted: a critical reading of a risk text, workshop debates and case studies. Each week will be comprised of either a one hour lecture/reading group followed by a 2 hour workshop.

Within the workshops a number of learning techniques will be used to help develop your understanding of the different topics. These will normally involve collaborating in small groups on a series of short tasks and then informally sharing the outcome with other groups, in addition to more formal class debates. In the workshops the
lecturer will participate in the class discussions, however, the lecturers’ role will normally be to initiate and maintain the discussion and involving all students in the debates.

Each week students are expected to read and review the assigned readings prior to the lecture and workshop. Discussions each week will encourage you to develop analytical / evaluatory skills and to identify relationships between the readings and prior learning. Workshops will develop an awareness of the skills of listening, explaining, questioning, responding, summarising and effective closure. Underpinning these skills is effective preparation.

**PRE-REQUISITES**

There are no pre-requisites for this class.

**ACHIEVEMENT OF LEARNING OUTCOMES**

The achievement of learning outcomes is necessary to successfully complete the class, both in terms of your learning development and in your class assessment. It is important, therefore, that you are confident about achieving these outcomes as the class progresses. Opportunities will be given for you to reflect upon what you have achieved during this class.

Attached to the class outline is a Record of Learning Outcomes Achievement. This will serve to help you focus on the learning outcomes by keeping a record of when and how you feel you have achieved each outcome. At the end of the semester we may ask you to voluntarily provide us with a copy of your record which will help us in future course planning. The handed in copy will be anonymous. Guidance on how to fill in the Record will be provided by the class lecturer.

**READING**

The assigned readings are drawn from Power, Michael (2007) *Organized Uncertainty: designing a world of risk management*. Oxford University Press but should extend beyond that prescribed. Each week additional readings will be set for the lecture on the class topic. Part of your learning responsibility is to review the main accounting (or other disciplines) journals for additional relevant material and read through the any additional materials distributed during the class sessions.

**LECTURE PROGRAMME**

<table>
<thead>
<tr>
<th>Topic</th>
<th>Set reading (set text)</th>
<th>Hand-in</th>
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</thead>
<tbody>
<tr>
<td>1   The Need to Account for Risk</td>
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<td>2   Organized Uncertainty and Risk Culture</td>
<td>Ch1</td>
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<td>3   Internal Control and Governance</td>
<td>Ch2</td>
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<td>4   Operational Risk</td>
<td>Ch3/4</td>
<td></td>
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<tr>
<td>5   Measuring and Monetizing Risk</td>
<td>Case Study</td>
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<tr>
<td>6   Case Study Debate</td>
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<td>Reflective Case Study</td>
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<tr>
<td>7   Reputational Risk Management</td>
<td>Ch5</td>
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<table>
<thead>
<tr>
<th>Week</th>
<th>Topic</th>
<th>Notes</th>
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<tbody>
<tr>
<td>8</td>
<td>Making Risk Auditable</td>
<td>Ch6</td>
</tr>
<tr>
<td>9</td>
<td>Designing a World of Risk Management</td>
<td>Ch7</td>
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<tr>
<td>10</td>
<td>Reading week</td>
<td></td>
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<tr>
<td>11</td>
<td>‘Enterprise Risk Management’ <em>Speaker – TBC</em></td>
<td>*Book Review*</td>
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<tr>
<td>12</td>
<td>Case Study Workshop</td>
<td>Prior year exam case study</td>
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