

# Risk Management in Accounting

(22E14000), Jan-Feb 2024



Aalto University  
School of Business

Course Info

**It is a private presentation for the course Risk Management in Accounting (22E14000) at Aalto University, and we request you not to share the presentation publicly.**

# Instructor

**Vikash Sinha,  
Assistant Professor  
vikash.sinha@aalto.fi**

*Contact me if you want to write your master's thesis under my supervision on risk management/scandals, corporate governance, internal auditing, management accounting, digitalization and accounting, accounting, and ethics/behavioral theories*

*Both quantitative and qualitative methods are welcome*

**Aalto University, Department of  
Accounting**

**Have 8+ years of experience as a  
consultant in risk management and  
automation in Global Financial services**

# Learning Objectives

## After completing the course,

- Students will have knowledge of risk management in organizations, including risk identification, risk analysis, and risk responses. (ILO1)
- Students will be familiar with the process-oriented and accounting focused perspective on risk management. (ILO2)
- Students will be able to analyze and question the covered theoretical/empirical perspectives on risk management. (ILO3)
- Students will be able to apply their conceptual understanding in risk management to the empirical and practical problems in contemporary organizations. (ILO4)

# Topics

## The major topics covered in the course include:

- Organizational/Process perspectives on risk - enterprise risk management, risk culture
- Corporate governance and risk management - three lines of defence, COSO ERM & IC - risk appetite, risk oversight, risk analysis
- ISO 31000 standard and network and individual perspectives on risks\*
- Risk management, management accounting & risk regulation
- Risk reporting

# Risk Management: Check-o-meter

What do you  
know about risk  
management?

What do you expect to learn in this  
course?



# Hall of Fame Forever



# Hall of Fame New Entrants



theranos



wirecard



FTX

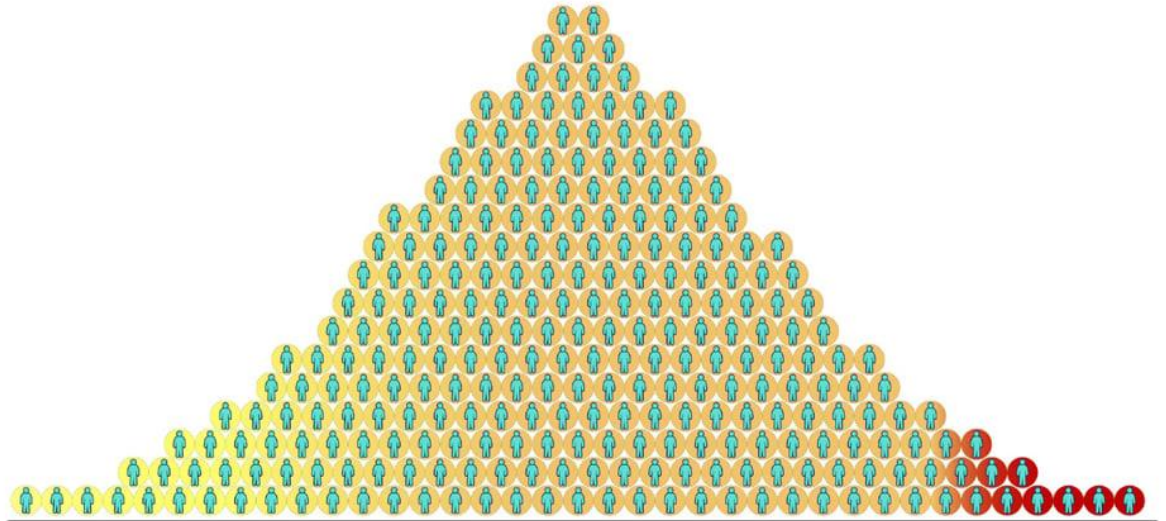
- Luckin Coffee
- Wells Fargo
- Volkswagon
- Enron
- WorldCom
- ZZZZ Best
- BP
- Danske Bank
- Olympus
- Boeing
- Toshiba
- Pharmaceuticals price – Turin, Martin Shkreli
- Oxycodone scandal Purdue, Mckinsey
- WeWork
- Uber Travis Kalanick
- Amazon working conditions

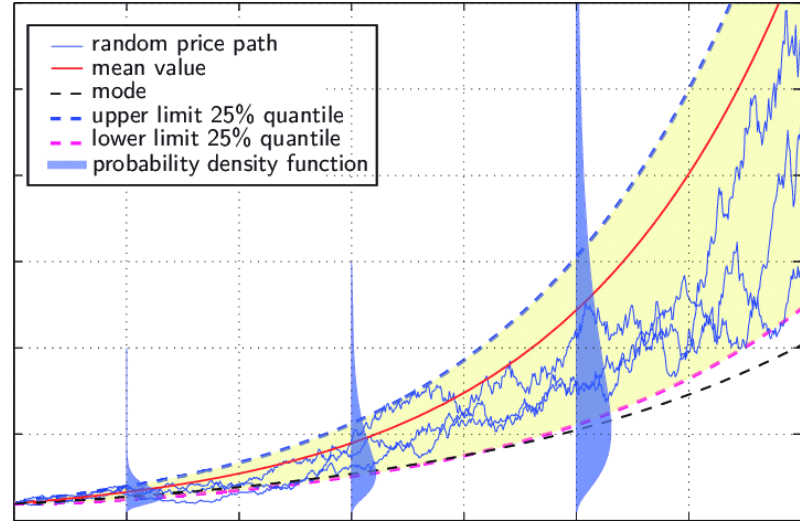
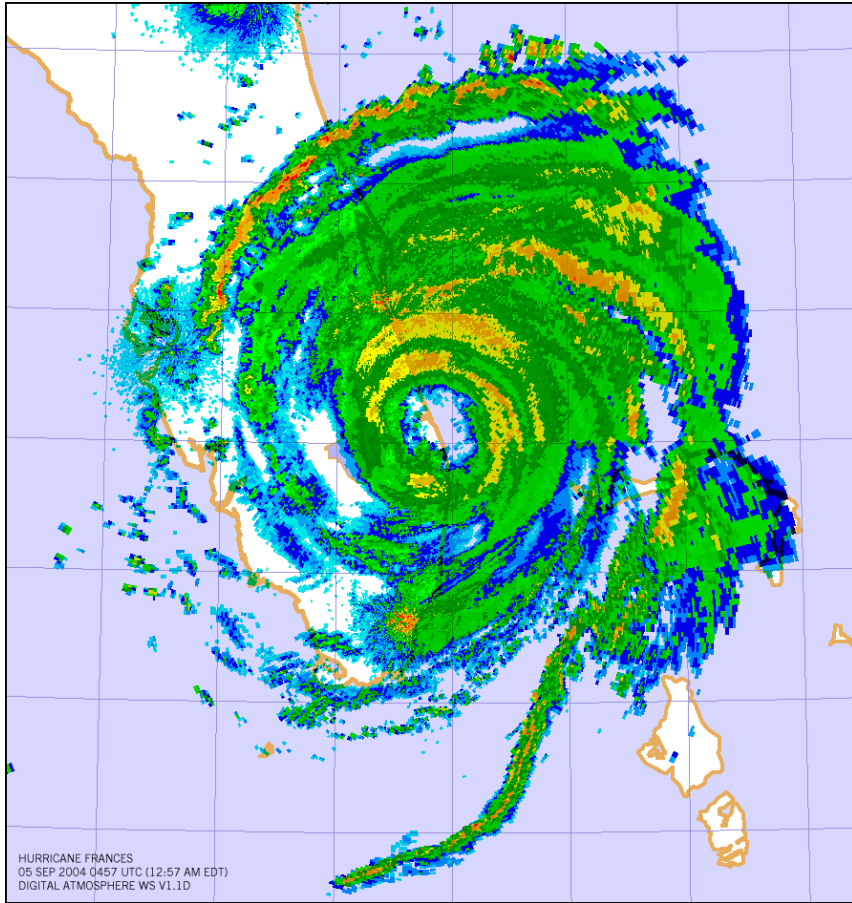


# Risk Management: Check-o-meter

Why do risks  
materialize?

Can we prevent all risks?  
Can we eliminate all fraud?





shock  $(\sigma\epsilon\sqrt{\Delta t})$

drift  $(\mu\Delta t)$

shock  $(\sigma\epsilon\sqrt{\Delta t})$

drift  $(\mu\Delta t)$

$$\Delta S = S_{t-1}(\mu\Delta t + \sigma\epsilon\sqrt{\Delta t})$$

# Risk Management: Check-o-meter

**Climate risk?**



# Risk Management: Check-o-meter

## Climate risk?

Counties more likely to be affected by climate change pay more in underwriting fees and initial yields to issue long-term municipal bonds compared to counties unlikely to be affected by climate change. This difference disappears when comparing short-term municipal bonds, implying the market prices climate change risks for long-term securities only.



Journal of Financial Economics

Volume 135, Issue 2, February 2020, Pages 468-482



An inconvenient cost: The effects of climate change on municipal bonds ☆

Marcus Painter <sup>a, b</sup>

Show more ▾

+ Add to Mendeley Share Cite

<https://doi.org/10.1016/j.jfineco.2019.06.006>

[Get rights and content](#)

# Risk Management: Check-o-meter

## Climate risk?

Homes exposed to sea level rise (SLR) sell for approximately 7% less than observably equivalent unexposed properties equidistant from the beach. This discount has grown over time and is driven by sophisticated buyers and communities worried about global warming.



Journal of Financial Economics

Volume 134, Issue 2, November 2019, Pages 253-272



Disaster on the horizon: The price effect of sea level rise ☆

Asaf Bernstein <sup>a</sup> ✉, Matthew T. Gustafson <sup>b</sup> ✉, Ryan Lewis <sup>a</sup> ✉

Show more ▾

+ Add to Mendeley ✎ Share 🗨 Cite

<https://doi.org/10.1016/j.jfineco.2019.03.013>

[Get rights and content](#)

# Risk Management: Check-o-meter

**Bad behavior of  
endorsers?**



# Risk Management: Check-o-meter

## Bad behavior of endorsers?

We estimate the stock market effects of the Tiger Woods scandal on his sponsors and sponsors' competitors. In the 10–15 trading days after the onset of the scandal, the full portfolio of sponsors lost more than 2% of market value, with losses concentrated among the core three sponsors: Electronic Arts, Nike, and PepsiCo (Gatorade). Sponsors' day-by-day losses correlate strongly with Google search intensity regarding the endorsement-related impact of the scandal, as well as with qualitative indicators of “endorsement-related news.”

[Home](#) > [Management Science](#) > [Vol. 60, No. 1](#) >

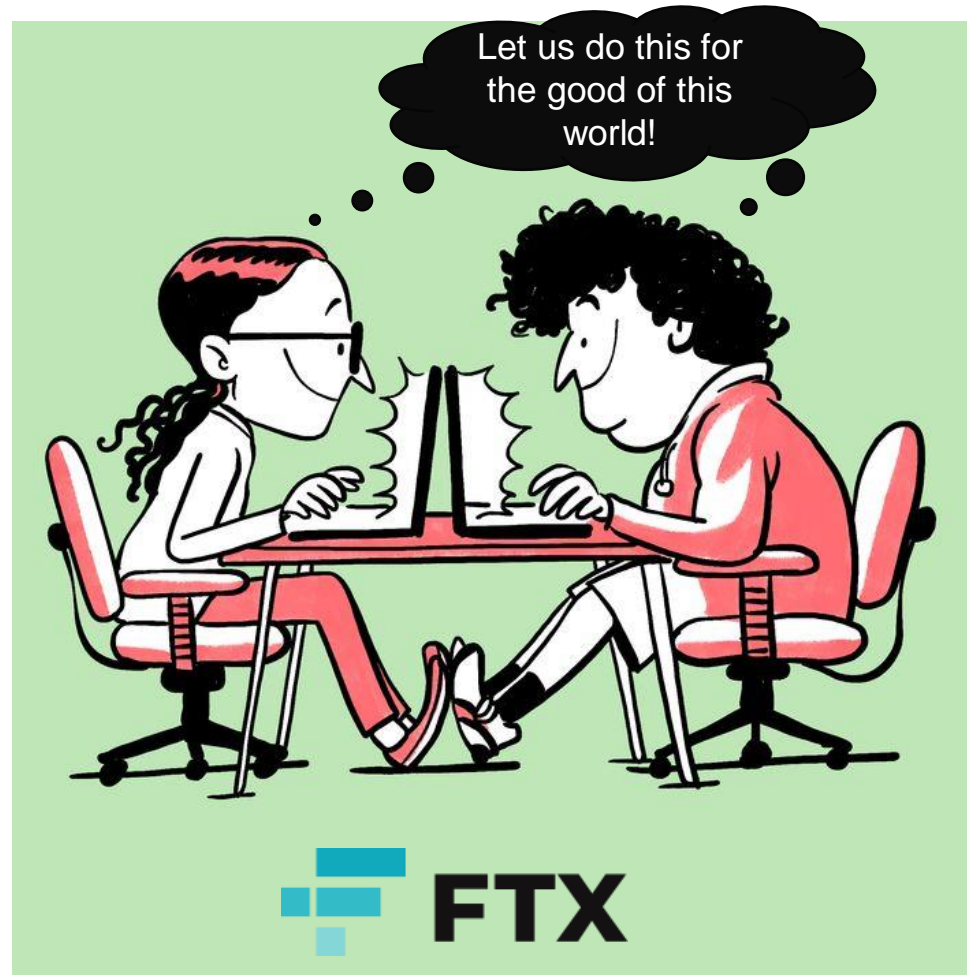
### Celebrity Endorsements, Firm Value, and Reputation Risk: Evidence from the Tiger Woods Scandal

Christopher R. Knittel, Victor Stango

Published Online: 16 Sep 2013 | <https://doi.org/10.1287/mnsc.2013.1749>

# Reality & Theory

Some jokes that are too close to reality





# Risk of 'risk management'



# Risk management in 'real life'



# Risk enables 'blame-game'



DILBERT.COM @SCOTTADAMSSAYS



7-12-19 2019 Scott Adams, Inc./Dist. by Andrews McMeel



# Assessment and Grading

- **Grading scale 0 – 5**
- **Final grading is based on the total score of final exam and exercises, max 100 points, which consists of**
  - Exam: 40 points; 40 % **[NB: there will be one (1) course exam and (1) one re-exam]**
  - Assignments: 60 points
    - Individual assignments: 3 Assignments, max 24 points (8 points each), 24 %
    - **Group report:** max 26 points, 26%
    - **Group presentation:** max 10 points, 10 %
- To pass the course, a student must obtain:
  - a) **At least 20 points from the exam, and**
  - b) At least 50 points from the whole course (exam + assignments)

# First Task

1. Contact other course participants and form a team of 4.
  - In MyCourses → 'General discussion', you may indicate that you are searching for a team.
2. In MyCourses → 'Choose your group' → 'Please select your group (Due 15 Jan)' → Click the checkbox of the team number of your choice

❖ **The choice has to be made by Mon 15.1.2024, 16:00**

# Please indicate name, topic, group members, and case compan(y)/(ies) or scandals for your group work (group choices)

In MyCourses → 'Choose your group' → 'Group name, members and 3 topics with priority order (due 22 Jan)' → Type the information and submit

❖ **The choice has to be made by Monday 22.1.2024, 16:00**

❖ **After you have submitted your choices, I will fix time slots for your presentations on the 13<sup>th</sup> and 15<sup>th</sup> of February.**

❖ **It is strongly recommended that students attend all presentations. Respect your colleagues who have spent time preparing the project!**

# Individual Assignments (24 points)

- **Instructions and submissions in MyCourses → ‘Assignments’**
  - Detailed instructions are in the Mycourses page
    - Individual assignments
    - You have to submit all 3 assignments
    - **All assignments will be available in the Mycourses page on 11<sup>th</sup> January at 9 AM or earlier**

# Group work (report: 26 points, presentation: 10 points)

- **Detailed instructions**

- In a group of four, prepare a report and presentation on a topic.
- The group presents the results according to the agreed time schedule. All members should be involved in the presentation
- •The group will prepare a report on the agreed topic.
- The final version of your report must be returned no later than Feb 14<sup>th</sup> at 9 am
- The final group report may be checked for plagiarism through turn-it-in software.
- Please incorporate relevant articles from the reading material.
- I will also share good articles with all groups after 26<sup>th</sup> Jan and before 4th February.



# Suggested Topics

**Choose three topics in a priority order.**

**Moreover, think about a case firm/scandal where you can find information in the public domain**

1. Risk management and big data/AI
2. Risk management in startup firms
3. Risk management in family firms
4. Risk management in small and medium enterprises
5. Risk management and supply chain management
6. Integrating risk management with strategy
7. Integrating risk management with performance management
8. Integrating risk management with planning and budgeting
9. Corporate governance and risk management
10. Behavioral approach to risk management
11. Role of audit and risk committees in managing risk
12. Internal audit and risk management
13. Role of internal auditors in risk management
14. Corporate tax risk and accounting
15. Internal control over financial reporting
16. Risk of material misstatement
17. Climate risk (management) and disclosure
18. Risk disclosure
19. Auditor's risks
20. Auditor's litigation risk and expanded audit reporting
21. Initial Coin Offering frauds and institutional void
22. Other topics

# Exam

Applied questions – mini case analysis

Thu 22 February 9:00 – 12 in person  
(Check Sisu for location)

# Schedule of Assignments

Assignment	Date and time of submission
Please choose your team	Mon 15 Jan 2024, 4:00 PM
Individual Assignment 1	Fri 19 Jan 2024, 4:00 PM
Please choose your topic for group work	Mon 22 Jan 2024, 4:00 PM
Individual Assignment 2	Fri 26 Jan 2024, 4:00 PM
Individual Assignment 3	Fri 02 Feb 2024, 4:00 PM
<b>Group report and presentation submission</b>	<b>Tue 13 Feb 2024, 9:00 AM</b>
<b>Presentation of group reports in the class</b>	<b>As scheduled*</b>



# Schedule I of II

Date	Responsible Teacher	Room	Topic
Tue 9.01.24 14:15-16:00	Vikash	V002	Introduction/Different perspectives on risk management
Thu 11.01.24 10:15-11:45	Vikash	V002	Different perspectives on risk management Three lines of defense, risk management and corporate governance, COSO- CG & IC, ISO, risk appetite, analysis, and integration
Tue 16.01.24 14:15-17:00	Vikash	V002	Three lines of defense, risk management and corporate governance, COSO- CG & IC, ISO, risk appetite, analysis and integration (continued)
Thu 18.01.24 09:15-11:45	Vikash	V002	Risk management and other management accounting systems
Tue 23.01.24 14:15-17:00	Vikash	V002	Risk reporting and financial reporting
Thu 25.01.24 09:15-11:45	Vikash	V002	9:15 – 10:15 Risk reporting and financial reporting 10:15 – 11:15 – Guest discussion with <b>Saul Schubak, Entrepreneur and Valuation Expert, Nordic Growth</b>
Tue 30.01.24 14:15-17:00	Vikash	V002	14:15 – 16:15 → Guest discussion with <b>Jussi Siitonen, CFO &amp; Deputy to the CEO, Fiskars</b> 15:30 – 16:30 → Guest discussion with <b>Mirel Leino-Haltia, Board Professional</b>
Thu 01.02.24 09:15-11:45	Vikash	Q101	Guest lecture on SOX processes ( <b>Krister Saarelainen &amp; Jirka Mansner, Directors PwC – Risk Assurance Services</b> )

# Schedule II of II

Date	Responsible Teacher	Room	Topic
<b>Two week break for group work</b>			
Tue 13.02.24 14:15-17:00	Vikash	V002	Group presentation (Mandatory presence)
Thu 15.02.24 09:15-12:00	Vikash	V002	Group presentation (Mandatory presence)
<b>One week break for exam preparation</b>			
<b>Thu 22 February 9:00 - 12</b>			<b>Physical Exam (Check Sisu)</b>

# Thank You

## READINGS

- are listed in MyCourses → Materials
  - Please read all the articles (Most of them are also summarized in the slides)
  - For COSO ERM 2017 and ISO 31000 frameworks, slide material are shared separately (Please do not circulate or share them – it is a copyrighted material for internal use)
- 

## Questions about the course should be asked primarily

- During the lectures
- In the course website (in MyCourses) → General discussion