

Risk Management in Accounting (22E14000)

Vikash Kumar Sinha

Department of Accounting and Business Law

Aalto University School of Business

Basic information

- a. **Name of the course:** Risk Management in Accounting
- b. **Course code:** 22E14000
- c. **Amount of ECTS:** 6
- d. **Teaching period(s) when the course is taught:** III Otaniemi Campus
- e. **Language of the course:** English
- f. **Target group:** CEMS, M.Sc. course in accounting
- g. **Is the course elective or mandatory:** Advanced Elective
- h. **Responsible Teachers:** Vikash Kumar Sinha
- i. **Meeting with teachers:** request in advance

Pre-requisites

Bachelor's degree. Introduction to Accounting (22A00110) or equivalent.

Objectives and intended learning outcomes (ILO)

The primary objective of the course is to make students familiar with the theoretical understanding of risk management. In doing so, the course makes students familiar with a process-oriented and accounting focused perspective on risk management. The course also enables students to analyze and question the theoretical perspective critically. After the course, students will be able to apply their conceptual understanding to the empirical and practical problems in contemporary organizations.

The secondary objective of the course is to provide students with an empirical and practical understanding of risk management in modern organizations. After the course, students will not only understand the benefits of risk management and its application in the contemporary organizational context but also will be able to understand the limitations and problems with the application of risk management.

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)**

Course ILO in relation to program level ILOs (M.Sc. In Accounting)

| | Program level intended learning outcomes | | | | |
|------|--|--------------|--------------|--------------|--------------|
| | Program ILO1 | Program ILO2 | Program ILO3 | Program ILO4 | Program ILO5 |
| ILO1 | Emphasized | - | Emphasized | - | Emphasized |
| ILO2 | - | Introduced | Emphasized | Introduced | Emphasized |
| ILO3 | Emphasized | Introduced | Introduced | - | Emphasized |
| ILO4 | Emphasized | Emphasized | Introduced | Introduced | Emphasized |

Program ILO1: produce, analyse, interpret and communicate financial and non-financial information for both managerial purposes and the needs of outside stakeholders

Program ILO2: contribute effectively to the development of management information systems

Program ILO3: impact and contribute to the strategic and operative decision making of the management

Program ILO4: apply data technology in the digitalized accounting domain to analyze and solve business problems

Program ILO5: possess general management skills: analytical ability, teamwork, problem solving and business communication skills

Content

The course material is primarily divided into five topics.

- I. Organizational/Process perspectives on risk - enterprise risk management, risk culture
- II. Corporate governance and risk management - three lines of defence, COSO ERM & IC - risk appetite, risk oversight, risk analysis
- III. ISO 31000 standard and network and individual perspectives on risks
- IV. Risk management and management accounting & risk regulation
- V. Risk and financial reporting

Core content analysis

| | Must know | Should know | Nice to know |
|-----------|--|--|---|
| Knowledge | Risk analysis: objectives, identification, risk assessment, risk response Risk management frameworks and regulations (e.g., COSO and ISO) Risk Management and other management accounting systems such as performance management, budgeting and planning | Risk management, corporate governance Risk reporting and governance roles and approaches | Auditing and risk management |
| Skills | Configure, and design an effective risk management system and processes Set up risk management as a control function Work as a risk manager who complies with regulations and standards | Take into account how to configure risk management <i>organization</i> and <i>processes</i> in the broader context of corporate governance How can risk management be made useful for internal control and internal audit departments | As a risk manager how to collaborate effectively with internal as well as external auditors |
| Attitudes | Collaborative attitude: Understand how risk management works as an effective ally of other control functions in organizations | Professionalism and integrity: How can risk management provide objective, and as much as possible independent and useful information, to relevant stakeholders What type of risks auditors take into account during auditing | Judgement on auditor risks: How auditors make judgments on risk |

Teaching methods, assessment, grading, and feedback

Teaching methods

Example of a typical session: Teacher pre-tests student knowledge using Presemo. Teacher delivers lecture on the topics, using real-life examples. Every twenty minutes teacher provides contemporary examples relating to the preceding content that students discuss in small groups. Thoughts and ideas from students are then collected and discussed. Upon reaching a satisfactory understanding lecture proceeds with the next content.

After class, students submit assignments that reinforces their learning. Students receive feedback from teachers on their assignments.

After class learning is also supported by a selection of research articles and industrial reports and a number of pre-selected videos (case-based learning approach) giving more exposure to the relevant course content.

Furthermore, during the course, students also chose relevant topics and work in groups to work on group assignments. Students are given direction in the beginning on how to proceed with the group work. Students can also contact teachers and get tailored feedback while carrying out their group work. Group assignments are finally presented in the end of the course where students not only get peer feedback but also get feedback from the teacher.

Assessment, grading, and feedback

1. Exam: 40 points; 40 % [NB: there will be one (1) course exam and (1) one re-exam]
2. Individual assignments: max 24 points, 24 %
3. Group report: max 26 points, 26%
4. 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 (Item 1) + exercises (item 2,3, and 4)].

Grading: 0-5

Individual assignments (max 24 points)

There will be three individual assignments set for the course, based on contemporary and relevant issues. Each of the individual assignments will be based on a fictional case and data reflecting contemporary risk management failures (e.g., Covid-19 pandemic, Wirecard fraud and audit failure, Danske bank money laundering case, British Petroleum Deepwater horizon case, Boeing 737 max failure case, Olympus case, Renault Ghosn case)¹. In your case analysis, please articulate the main issues in your own words. Moreover, please do not merely state the issues, but critically analyze them using frameworks presented in the class lectures or reading materials. If possible, be critical and present alternative viewpoints.

¹ These examples are indicative.

When you prepare the individual assignments, consider the following perspectives (we use these perspectives for grading):

- What were the main issues in the cases?
- Analyse the cases using a framework you build from the reading materials of your choice.
- Please do the calculations neatly in the excel (highlighting the formulas) and present your calculations on the slides.
- Since your excel calculations will also be graded, add one/two slide(s) that explains the important acronyms and formulas in your excel as appendix to your slides
- Suggest mitigation approaches

The reports should be max 7-8 slides² (along with excel calculations) and should be returned to the **Assignment** section of the course home page as per the set deadlines. We strive to provide feedback on individual assignments within 72 hours of submission deadline.

Individual assignments are graded as follows (detailed criteria for grading will be provided with each assignment):

- 8.0 points Excellent
- 7.0 points Very good
- 5.0 points Good
- 3.0 points Satisfactory
- 1.0 point Acceptable
- 0 point Does not meet the standard

Group work - Group presentation (max 10) and report (max 26 points)

In the groups of about four persons³, you will make a presentation and report on a topic you have selected (teachers help you select your topics). Indicative topics will be announced in the first class. The group will prepare a presentation, which must be returned no later than at 8:00 am on your presentation day. At the same time, you have to return a preliminary version of your report, which you may still update.

The group presents the results during the lecturers according to the agreed schedule. All members should be involved in the presentation. The student who does not participate in the presentation will not receive any points on presentation.

Group presentation:

The total time for each presentation is 20 minutes.⁴ The maximum time for presentation is 12 minutes and the rest of the time is devoted to discussions from peers as well as teachers.

- The presentation should include a synthesis of articles and generate perspectives and ideas and should also combine theory with practice!

The group will also prepare a report (maximum 26 points) of 20-25 pages. In the report, use Times New Roman, Font 12 and 1,5 line spacing. Following aspects are assessed both in the report and presentation:

² It is not about the number of slides, but the quality of the content. You could write a good analysis in less number of pages.

³ This might be revised based on the number of course participants.

⁴ This might be revised based on the number of groups.

- The quality of content - the academic as well as the practical relevance of the content
- The logical structure and the flow of the storyline
- The clarity of argumentation and the understandability of presented statements
- The capability to integrate the topic of risk management to the broader organizational and institutional context
- The depth of analysis indicated by the consideration of different factors
- Presentation of the advantages as well as shortcomings of the adopted theory and the practice selected for analysis

The presentations (first two columns) and reports (last two columns) are graded with the following scale below:

Note: As a base case, all members of the group will get the same points both from presentation and report. To give fair points for each group member, other grading methods are also possible.

| Grading Scale | presentation |
|---------------|--------------|
| 9-10 | 5 |
| 7-8 | 4 |
| 5-6 | 3 |
| 3-4 | 2 |
| 1-2 | 1 |

| Grading scale | Report writing |
|---------------|----------------|
| 22-26 | 5 |
| 18-21 | 4 |
| 14-17 | 3 |
| 10-13 | 2 |
| 1-9 | 1 |

Exam (max 40 points)

The exam covers all the reading material, lecturing material, possible mini cases and guest lectures.

Some of the questions require the ability to apply knowledge to evaluate and solve practical problems.

There will be one course exam and one re-exam.

Alignment of teaching, learning, assessment and feedback

| | Teaching method | Learning activity | Assessment (scale, who assesses, formative/summative assessment, emphasis on the final grade ...) | Feedback to students (who provides feedback, feedback on the process or the end product ...) | Feedback to the teacher |
|------|--|--|--|---|---|
| ILO1 | Lecture Group work Pre-reading Shared videos | <ul style="list-style-type: none"> Learn through pre-quiz activation Follow interactive lecture and ask questions | <ul style="list-style-type: none"> Formative assessment through individual assignments | Teacher provides feedback on individual assignments – Summative (end products only) Group work – Formative (process) and summative (end product) both Examination – Summative – on end product (on request) | Assessment scores as a proxy for learning |
| ILO2 | Lecture Group work Pre-reading Shared videos | <ul style="list-style-type: none"> Follow and learn from class peer discussions Follow and learn from mini cases as well as long cases | <ul style="list-style-type: none"> Formative assessment through pre-quizzes in lectures Formative (initial guidance, mid-review) and summative assessment of group work | | Assessment scores as a proxy for learning |
| ILO3 | Lecture Group work Pre-reading Shared videos | <ul style="list-style-type: none"> Learn by watching offline videos and content shared by the teacher Learn by participating in take-home group assignments Learn through reflective individual work | <ul style="list-style-type: none"> Summative assessment through final exam | | Assessment scores as a proxy for learning |
| ILO4 | Lecture Guest interviews (offline videos as well as onsite) Group work | <ul style="list-style-type: none"> Learn through pre-quiz activation Follow interactive lecture and ask questions Follow guest interviews (Industry experts) and ask questions Follow and learn from class peer discussions Follow and learn from mini cases as well as long cases Learn by watching offline videos and content shared by the teacher Learn by participating in take-home group assignments | <ul style="list-style-type: none"> Formative assessment through individual assignments (24) Formative assessment through pre-quizzes in lectures (0) Formative (initial guidance, mid-review) and summative assessment of group work (36) | | Assessment scores as a proxy for learning |

Materials

The course readings will be announced in the beginning of the course.

Course workload (in hours)

Student

| Session | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 2 weeks break for group work | | 8 | 9 | 1 week break before exam | TOTAL |
|-------------------------------------|----------|-----------|-----------|-----------|-----------|-----------|----------|------------------------------|-----------|-----------|-----------|--------------------------|------------|
| Contact hours | 2 | 2 | 2 | 2 | 3 | 3 | 2 | | | 4 | 4 | | 24 |
| Individual assignments | | | | 10 | 10 | 10 | | | | | | | 30 |
| Reading relevant content | | 3 | 2 | 2 | 3 | 3 | 2 | | | 3 | 3 | | 21 |
| Exam preparation | | | | | | | | 5 | 5 | 5 | 5 | 15 | 35 |
| Group work | | | | | | | | 12 | 14 | 3 | 3 | | 32 |
| Self-Study (incl online technology) | 3 | 3 | 2 | 2 | 3 | 3 | 2 | | | | | | 18 |
| TOTAL | 5 | 14 | 12 | 12 | 15 | 15 | 6 | 17 | 19 | 15 | 15 | 15 | 160 |

Teacher

| Session | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | TOTAL |
|--|----------|----------|----------|-----------|-----------|-----------|----------|-----------|-----------|-----------|
| Contact hours | 2 | 2 | 2 | 2 | 3 | 3 | 2 | 4 | 4 | 24 |
| Individual assignments grading & informal feedback | | 4 | 4 | 4 | 4 | 4 | | 4 | | 24 |
| Group work assessment | | | | | | | | 4 | 4 | 8 |
| Exam assessment | | | | | | | | | 10 | 10 |
| Preparing lectures and exercises | 4 | 3 | 3 | 4 | 4 | 4 | 2 | | | 24 |
| Informal feedbacks on groupwork | | | | | | | | 4 | 4 | 8 |
| TOTAL | 6 | 9 | 9 | 10 | 11 | 11 | 4 | 16 | 22 | 98 |

Educational technology

- MyCourses is used extensively during the course. Students self-assess their participation; students submit their take-home assignments (individual assignments as well as group work) and get feedback. The course is structured into parts that are easily readable.
- Self-made customized professional videos are also used to provide content as well as contemporary risk management related cases. The videos are integrated into the self-study component in terms of time usage.
- Due to COVID-19, most of the course is delivered using zoom. Exam is also delivered through MyCourses. The goal is to have 100% of the exam delivered through MyCourses.
- Annual reports, key audit issues, corporate governance reports, risk reports of firms are provided via links, where students can use such material for their assignment.

- Presemo is used during the lectures to stimulate active learning. Poll features and zoom breakout rooms are used for stimulated active participation.
- We also promote use of offline collaboration tools, such as google docs and Flinga, to create structured approach within the student groups.

Wellbeing during the course

- Wellbeing is considered by providing enough hours for students to do all tasks. For example, students get two weeks break for their group work – this is achieved by scheduling the lectures in the proper manner.
- Students are also encouraged to formally or informally, most importantly privately and confidentially, inform the teachers on personal/professional issues that might affect meeting deadlines. In the course, we have always been considerate of students’ personal/professional issues and supporting them while keeping fairness to other students in our mind.
- Accounting can cause anxiety as students perceive it as a mathematical subject. The course is designed to defeat this notion and direct students into the direction where accounting is perceived as a narrative of organizational conditions. Managerial implications on processes are stressed during the whole course.

Feedback

There are several feedback mechanisms to students in this course. I will outline them individually below:

- **In-class feedback (formative):** Lectures include regular discussions. This approach allows for directly addressing problems in understanding when they arise. Students are encouraged to ask questions and provide feedback.
- **Individual assignments (summative):** Feedback is given on these assignments through the MyCourses feedback provision feature. Students are encouraged to try all assignments and address question they have that prevent them to arrive at a solution as part of the assignment. Assignments are evaluated in terms of the effort students put into them – not their correctness – as trying is seen more important for learning than copying a correct solution from someone else (which might take place in the absence of right incentives).
- **Group work report and presentation (formative as well as summative):** Feedback is given on groupwork before and during groups embark on their journey (informally), during the presentation (formally) as well as, through the MyCourses feedback provision feature for the final submission (formally). Feedback covers not only the core content & scientific approach but also writing style and presentation approaches.
- **Final Exam (summative):** The final exam provides students with a summative assessment of their performance in the score. Upon request, students will get a score for the final exam broken down by the topics it covers. A general message follows the exam grading providing non-individualized suggestions relative to given scores. Even though the suggestions are non-individualized, they are

still highly actionable as the feedback allows students to identify the exact areas for their deficiencies. Students can then choose to address those areas, but they are not assessed as the course is over.

There are three feedback mechanisms to the teacher in this course

- **Final anonymous feedback:** The final official Aalto feedback form is complemented with additional questions on the pedagogical methods used, especially regarding assignments as well as individual feedback to guest lecturers and co-teachers. The feedback form is filled out by students during the last class before exam issues are discussed. This encourages a high response rate (based on past experiences, this approach results in a 40-60% response rate). The feedback will be assessed comprehensively, and good as well as bad/improvement related feedback is evaluated in combination to assure that potential action is based on representative feedback and not on individual opinions that might differ significantly from the consensus.
- **Formal and informal feedback during lectures:** Feedback is encouraged before every lecture (formal) or during the breaks (informal). Students are also encouraged to write emails if they wish so. A direct contact between teacher and student has worked well in the past with my other courses and students have also indicated that they could provide suggestions freely to the lecturer.
- **Indirect feedback on the progress of students through learning assessment approaches:** Take-home assignments (individual assignments as well as group work), in-class exercises and exams provide feedback to the teacher as they indicate progress of students on different learning objectives as well as topics. This allows for timely action during class by adding revision sessions, brief teaching videos, as well as additional exercises where needed and where wanted.