

LEARNING OBJECTIVES

- Recognize the sources of accounting irregularities, such as the use of special purpose entities (SPEs) and improper revenue recognition.
- Identify the controversy with expensing stock options and specific issues addressed by ASC 718.
- Recognize different rules and regulations put out by the FASB, NYSE, and the SEC.
- Identify key elements of corporate governance.
- Identify attributes of good governance, social responsibility and other ethical standards.
- Recognize the major features of the Sarbanes-Oxley (SOX) Act of 2002 Corporate Responsibility Law.

TOPICS COVERED

CHAPTER 1: POINTS OF CONTROVERSY

- Types of Accounting Irregularities
 - Moving Debt off the Balance Sheet
 - Earnings "Management" and the Use of Pro Forma Results
 - Overstated Pension Plan Assumptions
 - Underreporting of Executive Compensation
 - Revenue Accounting
 - Expense Accounting
 - Channel Stuffing
 - Inappropriate Earnings Management Practices
 - Auditor Independence
 - Corporate Governance Issue
- Characteristics and Trends of Financial Restatements
- The Role of Securities and Exchange Commission
 - Division of Enforcement
 - Division of Corporate Finance

CHAPTER 2: FASB, NEW YORK STOCK EXCHANGE AND SEC RULES

- Accounting for Stock-Based Compensation
 - Change in Approach to Equity Compensation
 - Arguments for and Against Stock Options Expensing
 - Stock Option Expense Approach
 - Overview
 - The Black-Scholes Model
 - Lattice-Based Option Models
- Stock Options Backdating
 - Illegal Practice
 - Alternatives to Stock Options
 - Restricted Stock Options
 - Stock Appreciation Rights
- New York Stock Exchange and SEC Rules
 - The New York Stock Exchange's Corporate Governance Rules
 - SEC Approved Rules to Address Analyst Conflicts
 - SEC Tightens Its Deadlines for Disclosure
 - The CFA Institute Research Objectivity Standards
 - Research Objectivity Policy
 - Public Appearances
 - Reasonable and Adequate Basis
 - Investment Banking
 - Research Analyst Compensation
 - Relationships with Subject Companies
 - Personal Investments and Trading
 - Timeliness of Research Reports and Recommendations
 - Compliance and Enforcement
 - Disclosure
 - Rating System

CHAPTER 3: THE SARBANES-OXLEY ACT

- Enhanced Corporate Responsibility Law
 - Background
- The Highlights of the Sox Act
 - The Role of Public Company Accounting Oversight Board (PCAOB)
 - Key Requirements for Accounting Firms
 - Rules for Corporations, Their Officers and Board Members
 - Analyst Conflicts of Interest
 - Attorney Requirements
- SOX Section 404
 - The Main Provisions
 - Applicability
 - Internal Control Over Financial Reporting

- Responsibilities of Management and the Independent Auditor with Respect to Internal Control Over Financial Reporting
 - The Role of Management
 - The Role of Independent Auditor
 - Material Weakness
 - Auditing Standard No. 2201
 - SOX Section 302 and Section 906 Considerations
 - Section 302 - Corporate Responsibility: Corporate Responsibility for Financial Reports
 - Section 906 - White-Collar Crime Penalty Enhancement: Corporate Responsibility for Financial Reports
 - Considerations for Sarbanes-Oxley Compliance
 - Cybersecurity Systems and Risk Reporting Act

Chapter 4: Corporate Governance and Other Ethical Standards

- Good Governance
- Corporate Governance
 - The Concept of Corporate Governance
 - Landmarks in Corporate Governance
 - Financial Literacy Training
 - SEC Restricts Mutual Funds' Broker Rewards
 - Mandatory Evaluation of Board Performance
 - Information Technology and Corporate Governance
 - Six Technologies That Can Assist with Compliance
- Corporate Social Responsibility
 - Corporate Social Responsibility Best Practices
- Business Ethics
 - Increased Concern for Business Ethics
 - Factors Leading to Unethical Behavior
 - Other Considerations
 - General Guides to Ethics
 - Simplified Criteria for Evaluating Ethical Behavior
 - Codes of Ethical Conduct
- IMA's Standards of Ethical Conduct for Accountants and Financial Professionals
 - IMA Statement of Ethical Professional Practice
 - Principles
 - Standards
 - Resolution of Ethical Conflict
 - Conflict of Interest
- Legal Aspects of Social Responsibility

CHAPTER 5: OTHER SECTIONS OF THE SARBANES-OXLEY ACT OF 2002

- Section 3: Commission Rules and Enforcement
- Section 101: Establishment; Board Membership
- Section 102: Registration with the Board
- Section 103: Auditing, Quality Control, and Independence Standards and Rules
- Section 104: Inspections of Registered Public Accounting Firms
- Section 105: Investigations and Disciplinary Proceedings; Reporting of Sanctions
- Section 106: Foreign Public Accounting Firms
- Section 107(c): Commission Review of Disciplinary Action Taken by the Board
- Section 107(d): Censure of the Board and Other Sanctions
- Section 108: Accounting Standards
- Section 109(d): Funding; Annual Accounting Support Fee for the Board

- Section 201: Services Outside the Scope of Practice of Auditors; Prohibited Activities
- Section 203: Audit Partner Rotation
- Section 204: Auditor Reports to Audit Committees
- Section 206: Conflicts of Interest
- Section 209: Consideration by Appropriate State Regulatory Authorities

- Section 301: Public Company Audit Committees
- Section 303: Improper Influence on Conduct of Audits
- Section 305: Officer and Director Bars and Penalties; Equitable Relief
- Section 306: Insider Trades During Pension Fund Black-Out Periods Prohibited

- Section 401: Disclosures in Periodic Reports
- Section 402(a): Prohibition on Personal Loans to Executives
- Section 403: Disclosures of Transactions Involving Management and Principal Stockholders
- Section 407: Disclosure of Audit Committee Financial Expert
- Section 409: Real Time Disclosure

- Section 501: Treatment of Securities Analysts by Registered Securities Associations

- Section 602(a): Appearance and Practice Before the Commission
- Title VIII: Corporate and Criminal Fraud Accountability Act of 2002
- Title IX: White Collar Crime Penalty Enhancements

- Section 1001: Sense of Congress Regarding Corporate Tax Returns

- Section 1102: Tampering with a Record or Otherwise Impeding an Official Proceeding
- Section 1103: Temporary Freeze Authority

- Section 1105: SEC Authority to Prohibit Persons from Serving as Officers or Directors