Autumn 2011

FIN 500Ethics of Finance and Social Responsibility

Instructor: Prof. Ji Soo KIM (金知壽)

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Office Hours: After Class or By Appointment

Class Hours: Tues Thur 8:30~9:50 A.M. for Session A

Tues Thur 1:00~2:20 P.M. for Session B

Classroom: Lecture Room 401 (Session A 8:30 A.M.~), SUPEX Management Building

Lecture Room 402 (Session A 1:00 P.M.~), SUPEX Management Building

TA for Session A: 모경원 (K. MO) : 010-4723-3236 / modeng1@business.kaist.ac.kr

TA for Session B: 정균범 (K. Chung) : 010-8939-8103 / future805@business.kaist.ac.kr

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Background of Course Information:

Ethics and social responsibility have been taught in business schools in recent decades. In 1991, Schoenfeldt, McDonald, and Youngblood reported that 73% of Association to Advance Collegiate Schools of Business (AACSB) International-accredited undergraduate programs had a dedicated stand-alone ethics course in their curricula. However, data since that time have been mixed. Despite recurring calls for ethical business education and inclusion of socially responsible business practices, the status of these topics in business education has not undergone a significant increase. Moreover, most of what is known about these topics in business education is restricted to the few studies that explore top MBA programs. Carolyn Y. Nicholson, etc. examine the inclusion and perceived importance of ethics and social responsibility at the department level in four major areas of business education (accounting, finance, management, marketing). Recent research has indicated that a high percentage (84%) of top MBA programs require an ethics or corporate social responsibility component in their curricula, many as a stand-alone course or a combined course of ethics and

sustainability issues. In accountancy programs, for example, coordinators reported an increase in coverage across their curriculum; moreover, these coordinators desired to increase it further by Madison & Schmidt. These numbers may lead people to believe that ethics is integrated into business school curricula, but if so, then why are calls that challenge the assumption that business schools are producing graduates with increased ethical and social sensibilities repeated? Why did AACSB International undertake the task of specifically reviewing ethics coverage in its member schools by a special task force in 2004? Other evidence of ethical and socially responsible business education is less convincing. In all, 56% of graduate business students self-reported having cheated in their classes (McCabe, Butterfield, & Trevino, 2006). Because antisocial behaviors such as cheating are normally under-reported, it is assumed that the reality is worse than this alarming number. (Carolyn Y. Nicholson, Journal of Education for Business, March 2009; www.allbusiness.com/company-activities-management/business-ethics-corporate/12598995-1.html).

In the late 20th century and early 21st century, we observed some noted failure examples of Enron, World com and many other firms' engagement in deception, fraud and misconduct by focusing on excessive risk-taking. Prof W. Hwang's lack of research ethics brought a big shock to the academic/Korean society. In lining with this trend, KAIST has required a course in ethics of research as 1 unit requisite course from 2009. KAIST School of Finance and Accounting has substituted this by FIN500 for finance MBA students since 2010. Ethics of finance and social responsibility is designed to prepare the enrollees of the class to apply an ethical decision-making attitude and practice, largely in business including finance industry/business discipline. The course tries to deal with corporate governance as well as leadership as a business decision maker while talking the fundamentals of business/finance ethics. Some of the goal is to engage the student by focusing on cases and business scenarios of certain interests. The cases may cover various issues including finance/securities industry, e.g. KOSDAQ market, academic and research issue's ethics. Students are asked to look into the issues from an ethical and social responsibility perspectives. KAIST and AACSB requirement/recommendation make FIN500 ethics course as a requisite one for finance MBA program. Students who are interested in taking CFA certificate are recommended to study additionally to prepare for the CFA test. This course will try to provide (by inviting) guest speaker(s) to help those students who prepare for the

CFA test. Nevertheless those students are believed to spend additional time and efforts for the CFA test. This course is not largely a preparatory course for the CFA test. For those students, they may get support from the school of finance and accounting if significant numbers of students are simultaneously interested in preparing for the CFA test.

Textbook: (Available at KAIST Bookstore)

Business Ethics – Ethical Decision Making and Cases (8th Edition), O.C. Ferrell, John Fraedrich, and Linda Ferrell, South-Western Cengage Learning, 2011

Reference (Not Required): The Financial Crisis Inquiry Report – Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the U.S., Financial Crisis Inquiry Commission, 2011, Public Affairs (Member of the Perseus Books Group)

Class Schedule: (This may be changed/adjusted if necessary.)

September 1 (Thur)	Introduction and Business/Finance Ethics
September 6 (Tues)	Corp. Social Responsibility, Corporate Governance and ISO26000
September 8 (Thur)	Emerging Business Ethical Issues
September 13 (Tues)	**Korean Thanksgiving Holiday – No Class**
September 15 (Thur)	Institutionalization of Biz Ethics
September 20 (Tues)	Ethical Decision Making and Leadership
September 22 (Thur)	Moral Philosophies and Values
September 27 (Tues)	Corporate Culture in Ethical Decision Making
September 29 (Thur)	Developing an Effective Ethics Program
October 4 (Tues)	Midterm Exam (Currently September 28 Wednesday 9P.M.~10:30/11P.M. as an Alternative) (Schedule to be arranged at different hours in the 1st/2nd week)
October 6 (Thur)	Guest Speaker – To be decided (e.g. CFA Relevant 1)
October 11 (Tues)	Implementing and Auditing Ethics Programs
October 13 (Thur)	Issues/Elements of Ethics Related to Globalization
October 18 (Tues)	Guest Speaker – To be decided (e.g. CFA Relevant 2)
October 20 (Thur)	Guest Speaker (?) – To be decided (e.g. CFA Relevant 3)
October 25 (Tues)	**Final Exam** (Currently October 20 Thursday 4P.M.~5:30/6P.M. as an Alternative) (Schedule to be arranged at different hours in the 1st/2nd week)

Grading:

Class Presence/Participation 20%

Midterm Exam 40%

Final Exam 40%

P.S.:

1. Same FIN500 exam questions for both midterm and final exams enrolled in Session A & Session B will be given to the students at the same time of the exam days, which could be discussed/arranged with the enrollees during the 1st or 2nd week of Autumn Semester.
2. Due to difficulties of the guest speakers' unexpected change(s) of their seminar or presentation commitment schedule(s), guest speaker seminar may be arranged in different days/times from regular class hours. Nevertheless the guest speaker(s) session(s) will be videotaped and presented during the regular class hours in the classroom for the students who could not attend the guest speaker's seminar held at other times than normal class hours. Students who could not attend in person for the guest speaker session(s), should attend the videotaped class(es) on regular class hours.