

University of Alberta, School of Business
Department of Accounting, Operations & Information Systems
ACCTG 416/616 Accounting Theory and Current Issues, Fall 2014

Instructor: Naomi Rothenberg Phone: 780-492-5415
Office: Bus 3 - 21F E-mail: naomi.rothenberg@ualberta.ca
Office Hours: MW 12:30 - 1:30pm, and by Website <https://ulearn.ualberta.ca>
 appointment

Textbook: Required: Scott, W. *Financial Accounting Theory*, 7th edition, 2015, Pearson.

Other recommended reading: Demski, J. *Managerial Uses of Accounting Information*, 2008, 2nd edition, Springer; Christensen, J. and Demski, J., *Accounting Theory: An Information Content Perspective*, 2002 McGraw-Hill/Irwin; Sunder, S. *Theory of Accounting and Control*, 1997, South-Western College; Antle, R. and Garstka, S. *Financial Accounting*, 2001, South-Western College.

Prerequisite: ACCTG 414 (Intermediate Financial Accounting I) or 412 (Financial Reporting for Managers and Analysts) and FIN 301 (Introduction to Finance). Open only to fourth-year Business students, or by consent of the Department Chair.

Class Meetings: Class meetings are Tuesdays and Thursdays 11:00-12:20 pm in Bus 4-5.

Overview: The aim of this course is to better understand the value of accounting. In contrast to other courses in accounting that focus on methodology and details, this course presents an abstraction about accounting to better understand the varieties and the essential details of accounting. The primary aspects of this abstraction are to first identify a substantive reason for accounting, to consider accounting as a specialized information source, and to consider the setting in which accounting is used by decision-makers, as well as the setting in which firms make accounting choices. The perspective taken is fundamental for developing an understanding of accounting practices, the purpose and role of accounting in the economy.

Expectations: The course is fast-paced and challenging. Each day has assigned readings and homework. It is important that you keep up with the work. I expect you to attend class every day. You are responsible for all material covered in class and any announcements made in class (i.e. changes to the schedule). You can expect me to be willing to help you with your learning activities, via office hours, phone, or email.

Performance Evaluation: Your grade will be determined by your performance on the midterm examination, the final examination, and class participation, as defined below. The weighting is as follows:

Class participation, including group “presentations”	20%
Midterm Exam	40%
Final Exam	40%

The following grading scale will be used: 90-100 A+, 86-89 A, 82-85 A-, 78-81 B+, 74-77 B, 70-73 B-, 66-69 C+, 62-65 C, 58-61C-, 54-57 D+, 50-53 D, 0-49 F.

Class Preparation: Attached is a tentative class schedule. Each day has assigned readings and problems, which should be completed *prior* to the respective class. Readings come from your assigned textbook and may include additional readings that will be posted on the course website. The purpose of the readings and assignments is to provide a basis for that day’s discussion. It is important that you complete the readings and work through the exercises and problems each day. Homework solutions will only be posted to the course website after we have a chance to discuss the homework in class. Sometimes the book and class discussion

will not cover an assigned question or problem; you are responsible for this knowledge on exams. If you do not understand the answer to these questions after referring to the reading(s), solutions, and class comments, please see me for clarification.

Class Participation: Total participation points are based on consistently attending class AND participating constructively and significantly to discussions in class. Your participation in class will depend on how much you have prepared for class. Your class participation will depend on consistent, 100% attendance, group “presentations”, and volunteering questions or comments that contribute positively to the learning environment. Lack of consistent attendance or negative contributions (e.g., silence) will decrease your participation points. Approximately 50% of your total participation grade will be based on class participation.

Group “Presentations”

You will form small groups (maximum of two) during the first week of class. Each class, one or two groups will be called on *at random* to talk for 10-15 minutes about one or more of the exercises/problems assigned for that day in class. The word “presentation” is in quotes because a formal, polished presentation is neither expected nor desired. My expectation is that you will discuss the ideas from the chapter that are intended to be illustrated by the assigned exercise/problem, and any difficulties you encountered or questions that you had. It is NOT important that you complete the problem during the allotted 10-15 minutes, nor even present the entire solution. The purpose is to encourage diligent class preparation and to stimulate classroom discussion. Remember, if you got stuck or had a question, there is a very high probability that someone else in the class encountered the same thing. Approximately 50% of your total participation grade will be based on the group presentations.

Exams: There is a midterm exam and a final exam. Exam dates are indicated on the class schedule. If you miss an exam for a valid reason (e.g., sickness, death in your immediate family), you must notify me immediately and provide sufficient documentation to support your situation. Unexcused absences will result in a grade of “zero” for the missed exam. In the case of an excused absence, you must make arrangements with me to take a make-up exam as soon as possible.

Other Matters: All exams are closed book, closed note, and with the exception of your own calculator, no electronic equipment of any other sort – including cell phones, laptops, or ipads – will be allowed.

For important dates (i.e. add/drop dates), see the Registrar’s Office:

<http://www.registrar.ualberta.ca/calendar/>

I expect you to abide by the University of Alberta’s Code of Student Behavior:

<http://www.governance.ualberta.ca/CodesofConductandResidenceCommunityStandards/CodeofStudentBehaviour.aspx>).

This course incorporates the following Learning Goals of the BCom Program: *Critical Thinking, Ethical Awareness, Oral Communication, Teamwork, Quantitative Skills, and Written Communications*. Assessment in this course incorporates these goals the following manner: Midterm Exam - *Quantitative Skills, and Written Communications*, Class Participation/Group Presentations - *Critical Thinking, Ethical Awareness, Oral Communication Teamwork, Quantitative Skills, and Written Communications*, Final Exam - *Quantitative Skills, and Written Communications*.

For a complete description of the Learning Goals of the BCom program, see:

<http://business.ualberta.ca/programs/bachelor-of-commerce/prospective-students/about/learning-goals>

Class Schedule (subject to change)

Date	Topic	Reading	Homework
Thu Sep 4	Introduction	Ch 1; Fellingham, J. 2007. "Is accounting an academic discipline?" <i>Accounting Horizons</i> ; Demski, J. 2007. "Is accounting an academic discipline?" <i>Accounting Horizons</i>	
Tues Sep 9	Accounting in perfect and complete markets	Ch 2	
Thu Sep 11	continued	Beaver, W. and J. Demski. 1979. "The Nature of Income Measurement". <i>The Accounting Review</i> .	2-5, 2-15
Tues Sep 16	Decision usefulness; single person decision-making	Ch 3; Demski, J. 1974. "Choice among financial reporting alternatives", <i>The Accounting Review</i> ; Benston, G., et al., "The FASB's Conceptual Framework for Financial Reporting: A Critical Analysis" <i>Accounting Horizons</i>	2-20, 2-25
Thu Sep 18	continued	Demski, J. 1973. "The General Impossibility of Normative Accounting Standards". <i>The Accounting Review</i> .	3-4, 3-8
Tue Sep 23	Information asymmetry	Ch 4 (only section 4.6)	3-13, 3-16, 3-17
Thu Sep 25	Investors' use of accounting information	Ch 5; Ball, R. and P. Brown. 1968 "An Empirical Evaluation of Accounting Income Numbers" <i>Journal of Accounting Research</i> .	4-3, 4-10, Ralph's information asymmetry
Tue Sep 30	continued	Beaver, W. 1968 "The Information Content of Annual Earnings Announcements" <i>Journal of Accounting Research</i> .	5-9
Thu Oct 2	Measurement (economic vs. accounting)	Ch 6 (section 6.11 only) +TBA?	5-15, 5-18
Tue Oct 7	Measurement Problems (fair value and intangibles)	Ch 7	Market/book analysis - TBA
Thu Oct 9	continued		7-2, 7-7, 7-9
Tue Oct 14	review		7-13, 7-16
Thu Oct 16	Midterm Exam		
Tue Oct 21	Stewardship and contracting	Ch 8; Coase, R. 1937. "Nature of the Firm", <i>Economica</i>	
Thu Oct 23	continued		8-10
Tue Oct 28	Information and Incentives	Ch 9; Demski, J. selected readings from MUAI.	TBA
Thu Oct 30	continued		9-9, 9-12, 9-19
Tue Nov 4	Executive compensation	Ch 10	10-2, 10-16, 10-18, 10-19
Thu Nov 6	continued	Demski, J. selected readings from MUAI.	
Tue Nov 11	No Class - Remembrance Day		
Thu Nov 13	Earnings Management	Ch 11; Arya, et. al. 2003. "Are Unmanaged Earnings always better for shareholders?" <i>Accounting Horizons</i>	TBA
Tue Nov 18	continued		11-6, 11-7, 11-10
Thu Nov 20	Economics of Standard Setting	Ch 12	TBA

Tue Nov 25	continued		12-10, 12-17, 12-18
Thu Nov 27	Disclosure	TBA	TBA
Tue Dec 2	wrap up		
Wed. Dec 10	Final Exam 9:00 am, place TBA		