

	ANU College of Business and Economics	Research School of Accounting
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BUSN3001

Accounting Theory

Course Description

This course engages students in critical analysis of the major approaches to the formulation of an accounting theory. The features, similarities, differences and merits or otherwise of alternative theoretical approaches to analysing and dealing with contemporary problems facing accounting and accountants are examined.

Course URL	http://programsandcourses.anu.edu.au/2017/course/BUSN3001
Mode of Delivery	On campus
Prerequisites	BUSN2015
Incompatible Courses	N/A
Course Convenor	Dr Louise Lu (weeks 1-6) & Dr Tracy Wang (weeks 7-12)
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Email	louise.lu@anu.edu.au & kun.wang@anu.edu.au
Office	Hanna Neumann Building, Room 1030 (Louise) & Room 1023 (Tracy)
Office hours for student consultation	To be announced on the course Wattle site
Research Interests	Tracy Wang (https://www.cbe.anu.edu.au/about/staff-directory/?profile=Tracy(Kun)-Wang)

	Louise Lu (https://www.cbe.anu.edu.au/about/staff-directory/?profile=Louise-Lu)
Tutor(s) (optional)	To be announced on the course Wattle site
Student Administration	Room 2037 Hanna Neumann Building 21 enquiries.rsa@anu.edu.au 6125 0025 or 6125 7968 Office Hours: Monday-Friday 9-5 pm

SEMESTER 2

2017

COURSE OVERVIEW

Learning Outcomes

At the conclusion of the course students will:

1. Have read more widely in accounting;
2. Have acquired a deeper and more critical appreciation of what defines contemporary accounting practice, and more importantly, what it is that should define the nature, scope and future of accounting;
3. Be familiar with concepts of theory development and theories of accounting policy choice, measurement of economic income and the societal use of accounting information;
4. Have achieved a deeper understanding of selected contemporary issues in accounting;
5. Have developed an ability to critically analyse these issues within the theoretical framework developed earlier in the course;

The specific learning objectives identified at the commencement of the lecture material for each of the topics are an integral part of the course/broad learning outcomes above.

Assessment Summary

Assessment Task	Value	Due Date	Date for Return of Assessment	Linked Learning Outcomes (optional)
1. Tutorial preparation, participation, and presentation	10%	See Course Schedule	See Course Schedule	Refer to Learning Outcomes (1) to (5)
2. Research Assignment Part A – Referencing Exercise/Essay Plan	10%	Week 4	TBA	Refer to Learning Outcomes (1) and (3)
3. Research Assignment Part B – Research Essay	20%	Week 10	TBA	Refer to Learning Outcomes (1) to (5)
4. Final Exam	60%	University Examination Period	TBA	Refer to Learning Outcomes (1) to (5)
Total	100%			

In order to pass this course you must satisfactorily complete all of the foregoing items of assessment, including a mark of not less than 50% in the final examination; and an overall result of not less than 50% for the semester.

Students should also be aware that misconduct (e.g., plagiarism) in any item of assessment could lead to an automatic fail in the course.

The details of Parts A and B of your research assignment will be placed on course Wattle website.

Research-Led Teaching

This course builds on current research to examine contemporary issues in accounting, which includes research in other disciplines such as finance and economics. The course adopts an interactive

approach to learning and teaching and draws from active learning pedagogies. Students are strongly encouraged to be an active participant in the learning process.

Feedback

Staff Feedback

Students will be given feedback in various ways in this course, including verbal or written feedback on the return of assessment tasks, during class discussion, or during consultation with lecturers and tutors.

Student Feedback

ANU is committed to the demonstration of educational excellence and regularly seeks feedback from students. One of the key formal ways students have to provide feedback is through Student Experience of Learning Support (SELS) surveys. The feedback given in these surveys is anonymous and provides the Colleges, University Education Committee and Academic Board with opportunities to recognise excellent teaching, and opportunities for improvement.

For more information on student surveys at ANU and reports on the feedback provided on ANU courses, go to:

<http://unistats.anu.edu.au/surveys/self/students/> and
<http://unistats.anu.edu.au/surveys/self/results/learning/>

Policies

ANU has educational policies, procedures and guidelines, which are designed to ensure that staff and students are aware of the University's academic standards, and implement them. You can find the University's education policies and an explanatory glossary at: <http://policies.anu.edu.au/>

Students are expected to have read the [Academic Misconduct Rule](#) before the commencement of their course.

Other key policies include:

- Student Assessment (Coursework) Policy
- (https://policies.anu.edu.au/ppl/document/ANUP_004603)
- Student Assessment (Coursework) Procedure
- (https://policies.anu.edu.au/ppl/document/ANUP_004604)
- Student Surveys and Evaluations
- (https://policies.anu.edu.au/ppl/document/ANUP_004601)
- Copyright (<http://copyright.anu.edu.au/>)

Examination material or equipment

Materials permitted in the exam venue:

- (No electronic aids are permitted e.g. laptops, phones)
- Calculator (non-programmable)
- Dictionary – for candidates with written approval from School

Details regarding materials and equipment that is permitted in an examination room can be found on the ANU website:

<http://www.anu.edu.au/students/program-administration/assessments-exams/examination-conduct>

Information regarding permitted examination materials for the course will be available on the examination timetable website when the examination timetable is released:

<http://timetable.anu.edu.au/>

READING LISTS

Prescribed Text

Deegan, Craig. <i>Financial Accounting Theory</i> , 4th edition, McGraw-Hill, 2013.

The required text is available for purchase from the Co-op bookshop on campus.

Prescribed Readings

The list of required readings is provided below. Some of these readings will be the subject of prescribed tutorial questions. You will find the ANU's extensive list of electronic and traditionally delivered academic journals extremely useful. For some sessions you may be required to use the ANU's electronic databases to locate and obtain relevant journal articles for study in class.

The reading list provided below is NOT exhaustive. You are expected to conduct follow-up readings and background research into topics and issues addressed in this course as part of your private study. ALL topics and issues addressed in the lectures are examinable.

The ANU's ProQuest database is an excellent starting point when searching for relevant articles, and in many cases the full-text of desired articles can be accessed directly.

Prescribed Reading (specific questions for consideration may be provided on Wattle) – additional readings may be prescribed during the semester

Topics	References and Readings
Introduction and Analysis of the Role of Accounting in Corporate Failure	Healy & Palepu (2003) Gibson (1971) Ch. 7
Introduction to Theories and Their Application to Accounting	Chalmers (1980) Ch 2 & 3 Hines (1988a) Hines (1988b)
The Conceptual Framework	AASB Framework AASB SAC 1 AASB SAC 2
Introduction to Positive Accounting Theory – Agency Theory	Fama & Jensen (1983) Jensen & Meckling (1976) Watts & Zimmerman (1978) Watts & Zimmerman (1979)
Earnings Management and Accounting Policy Choice	Healy (1985) Bartov (1993) Roychowdhury (2006)

	Cohen, Dey & Lys (2008) Fan, Barua, Cready & Thomas (2010)
Positive Accounting Theory – Capital Market Response to Accounting Reports	Ball & Brown (1968) Kothari (2001) Bradshaw and Sloan (2002) Lougee and Marquardt (2004) Cohen, Hann and Ogneva (2007)
Corporate social responsibility	To be advised
Corporate social responsibility	To be advised
Regulation of financial accounting	Watts & Zimmerman (1986) Ch. 7 Reiter (1926) Edwards (1980)
Current Purchasing Power Accounting	Full-Text Notes on WATTLE Chambers (1980) Ch. 6
Current Cost Accounting, CoCoA and Value to The Entity Accounting	Full-Text Notes on WATTLE Broadley (2007) Solomons (1995) FASB (2008b) Penman (2007)
Examination period	

Bibliographic References to Prescribed Reading and Other Papers

- Australian Accounting Standards Board (1990). *Statement of Accounting Concepts 1: Definition of the Reporting Entity*. Melbourne: AASB
- Australian Accounting Standards Board (1990). *Statement of Accounting Concepts 2: Objective of General Purpose Financial Reporting*. Melbourne: AASB
- Australian Accounting Standards Board (2009). *Framework for the Preparation and Presentation of Financial Statements*. Melbourne: AASB
- Ball, R. & Brown, P. (1968). An Empirical Evaluation of Accounting Income Numbers. *Journal of Accounting Research*, 6(2), 159-178.
- Bartov, E. (1993). The timing of asset sales and earnings manipulation. *Accounting Review*, 68(4), 840-855.
- Bradshaw, M. T. & Sloan, R. G. (2002). GAAP versus The Street: An empirical assessment of two alternative definitions of earnings. *Journal of Accounting Research*, 40(1), 41-66.
- Broadley, P. (2007). Discussion of 'Financial reporting quality: Is fair value a plus or a minus. *Accounting and Business Research*, Special Issue: International Accounting Policy Forum, 45-48.
- Chalmers, A. F. (1982). *What is this thing called Science?* St. Lucia, QLD: University of Queensland Press.
- Chambers, R. J. (1980). *Price variation and inflation accounting*. Sydney: McGrawHill.

- Cohen, D. A., Dey, A. & Lys, T. Z. (2008). Real and Accrual-based Earnings Management in the Pre- and Post-Sarbanes Oxley Periods. *The Accounting Review*, 82(3), 757-787.
- Cohen, D. A., Hann, R. N. & Ogneva, M. (2007). Another look at GAAP versus the Street: An empirical assessment of measurement error bias. *Review of Accounting Studies*, 12, 271-303.
- Edwards, J.R. (1990). British capital accounting practices and business finance 1852-1919: An Exemplification. *Accounting and Business Research*, Spring, 241-258.
- Fama, E. & Jensen, M. C. (1983). Separation of ownership and control. *Journal of Law and Economics*, 26(June), 301-325.
- Fan, Y., Barua, A., Cready, W. M. and Thomas, W. B. (2009). Managing Earnings Using Classification Shifting: Evidence from Quarterly Special Items. *The Accounting Review*, 85(4). 1303–1323,
- Financial Accounting Standards Board (2008b). Original pronouncements (as amended). *Fair value measurements*. Statement of Financial Accounting Standards No. 157. Stamford: FASB.
- Gibson, R. W. (1971). Chapter 7 of *Disclosure by Australian companies*. Carlton, Vic: Melbourne University Press.
- Healy, P. (1985). The effect of bonus schemes on accounting decisions. *Journal of Accounting and Economics*, 7, 85-107.
- Healy, P. & Palepu, K. (2003). The fall of Enron. *Journal of Economic Perspectives*, 17(2), 84-107.
- Hines, R. (1988a). Financial Accounting: In communicating reality, we construct reality. *Accounting Organizations and Society*, 13(3), 251-62.
- Hines, R. (1988b). Popper's methodology of Falsificationism and accounting research. *The Accounting Review*, 63(4), 657-662.
- Hopwood, A. G. (1983). On trying to study accounting in the contexts in which it operates. *Accounting Organizations and Society*, 8(2/3), 287-305.
- Jensen, M. & Meckling, W. (1976). Theory of the firm: Managerial behaviour, agency costs and ownership structure. *Journal of Financial Economics*, 3, 305-60.
- Kachelmeier, S. J. & Williamson, M. G. (2010). Attracting Creativity: The Initial and Aggregate Effects of Contract Selection on Creativity-Weighted Productivity. *The Accounting Review*, 85(5), 1669-1691.
- Kothari, S.P. (2001). Capital markets research in accounting. *Journal of Accounting and Economics*, 31, 105-131.
- Lougee, B. A. & Marquardt, C. A. (2004). Earnings informativeness and strategic disclosure: An empirical examination of “Pro Forma” earnings. *The Accounting Review*, 79(3), 769-795.
- Miller, P. (1994). Accounting as social and institutional practice: An introduction. In A. Hopwood & P. Miller (Eds.), *Accounting and Social and Institutional Practice (Cambridge Studies in Management)* (pp. 1-39). Cambridge: Cambridge University Press.

- Penman, S. (2007). Financial reporting quality: is fair value a plus or a minus? *Accounting and Business Research*. Special issue: International accounting policy, 33-44.
- Reiter, P. (1926). Chapters III & IV of *Profits, Dividends and the Law*. New York, Ronald Press Company.
- Roychowdhury, S. (2006). Earnings Management Through Real Activities Manipulation. *Journal of Accounting and Economics*, 42(3), 335–370.
- Solomons, D. (1995). Criteria for choosing an accounting model. *Accounting Horizons*, 9(1), 42-51.
- Swieringa, R. T. & Weick, K. E. (1982). An assessment of laboratory experiments in accounting. *Journal of Accounting Research*, 20(Supplement), 56-101.
- Watts, R. & Zimmerman, J. (1978). Towards a positive theory of the determinants of accounting standards. *The Accounting Review*, 53(1), 112-34.
- Watts, R. & Zimmerman, J. (1979). The demand and supply of accounting theories: The market for excuses. *The Accounting Review*, 44(2), 273-305.
- Watts, R. & Zimmerman, J. (1986). *Positive Accounting Theory*. Englewood Cliffs, N.J: Prentice Hall.

COURSE SCHEDULE

Week	Summary of Activities/Topic	Assessment ^{a, b}
1	Introduction to course, contemporary issues—analysing the role of accounting in corporate failure	
2	Introduction to theories and their application to accounting	
3	The conceptual framework for financial reporting	
4	Positive accounting theory i – introduction and agency theory	Essay Part A – Due 4pm, Thursday
5	Positive accounting theory ii – earnings management and accounting policy choice	
6	Positive accounting theory iii – capital market response to accounting reports	
	Mid-semester break	
7	Corporate social responsibility i	
8	Corporate social responsibility ii	
9	Regulation of financial accounting	
10	No lectures or tutorials (essay due this week).	Essay Part B – Due 4 pm, Thursday

11	Current purchasing power accounting	
12	Current cost accounting, cocoa, value to the entity accounting and review	

^a Tutorial questions will be placed on course Wattle website. See Section READING LISTS on page 5 of this course outline for information about the prescribed readings for each topic.

^b Exam to be administered by university exam section. Time and place of the exam to be announced by the Examinations office.

The greatest benefit from lectures is obtained by reading the relevant material in advance of attending the lectures and participating in discussion during tutorials. Students are required to prepare the relevant set of questions in advance of attending tutorials and come to tutorials prepared to discuss the issues involved, and any difficulties encountered in responding to the set questions and areas in which they are in need of clarification.

ASSESSMENT REQUIREMENTS

The ANU is using Turnitin to enhance student citation and referencing techniques, and to assess assignment submissions as a component of the University's approach to managing Academic Integrity. For additional information regarding Turnitin please visit the [ANU Online](#) website.

Students may choose not to submit assessment items through Turnitin. In this instance you will be required to submit, alongside the assessment item itself, copies of all references included in the assessment item.

As a further academic integrity control, students may be selected for a 15 minute individual oral examination of their written assessment submissions.

Any student identified, either during the current semester or in retrospect, as having used ghost writing services will be investigated under the University's Academic Misconduct Rule.

Assessment Tasks

Assessment Task 1: Research Assignment Part A – Referencing Exercise/Essay Plan

Details of task:

Purpose: To ensure that students are in no doubt as to the level of referencing required in a scholarly paper and to identify and organise sources relevant to the completion of the major essay.

Outline: Part A of the Research Assignment examines your ability to appropriately reference scholarly research, to identify and organise sources and materials relevant to the completion of the major research essay (Part B Research Essay), and to ensure that you have an initial project plan for the research essay and to meet its requirements.

Assessment Criteria: Referencing Exercise - Correct referencing, expression and presentation.

Essay Plan - components of essay plan as per requirements, quality of essay plan, expression and presentation.

Assessment Task 2: Research Assignment Part B – Research Essay

Details of task:

- Purpose:** To critically analyse a selected contemporary issue in financial accounting.
- Outline:** Part B of the Research Assignment examines your ability to critical analyse a selected contemporary issue in financial accounting.
- Assessment Criteria:** Depth and breadth of coverage.
 Critical and analytical elements.
 Structure, language and conventions.
Note: The criteria listed above are not mutually exclusive but are complementary in the overall assessment of the assignment. A well-written and organised essay will receive a low assessment if it is not relevant to the given topic.

Grade Related Descriptors:

Grades	Depth and Breadth of Coverage	Critical and Analytical Elements	Structure, Language and Conventions
High Distinction 80% - 100%	All aspects of the given topic are researched and covered in a thorough way.	The essay shows great depth of thought, excellent development of discussion, logical analysis and insight into the topic.	All aspects of the essay conform to a high academic standard.
Distinction 70% - 79%	Most aspects of the given topic are researched and addressed in great depth.	The essay shows strong evidence of analysis, supported by logical discussion and insight into the topic.	Most aspects of the essay conform to a high academic standard.
Credit Pass 60% - 69%	Most aspects of the given topic are researched and addressed adequately.	The essay shows evidence of elementary analysis and the development of discussion.	Most aspects of the essay conform to an acceptable academic standard.
Pass 50% - 59%	Key aspects of the given topic are researched and addressed adequately.	The essay is mainly descriptive, showing basic understanding of the topic.	The essay displays basic academic standard.
Fail <50%	Essay is superficial and/or inadequately researched and addressed the issue.	The essay demonstrates limited understanding of the topic.	The essay is not of an acceptable academic standard.

Assignment submission

Online Submission: Assignments are submitted using [Turnitin](#) in the course Wattle site. You will be required to electronically sign a declaration as part of the submission of your assignment. Please keep a copy of the assignment for your records.

Extensions and penalties

Extensions and late submission of assessment pieces are covered by the [Student Assessment \(Coursework\) Policy and Procedure](#).

The Course Convener may grant extensions for assessment pieces that are not examinations or take-home examinations. If you need an extension, you must request it in writing on or before the due date. If you have documented and appropriate medical evidence that demonstrates you were not able to request an extension on or before the due date, you may be able to request it after the due date.

Late submission of assessment tasks without an extension are penalised at the rate of 5% of the possible marks available per working day or part thereof. Late submission of assessment tasks is not accepted after 10 working days after the due date, or on or after the date specified in the course outline for the return of the assessment item.

Returning assignments

Assignments will be returned using the course Wattle site. You will be assessed not only on the content of your argument, but also on your ability to express that argument clearly, reference appropriately and present your paper professionally.

RESUBMISSION OF ASSIGNMENTS

Students may not resubmit the assignments.

REFERENCING REQUIREMENTS

This course adopts the Harvard referencing system

EXAMINATIONS

The Final Exam will be held during the University's Examination Period. Information on the form and content of the final examination will be provided closer to the date.

Scaling

Your final mark for the course will be based on the **raw** marks allocated for each of your assessment items. However, your final mark may not be the same number as produced by that formula, as marks may be **scaled**. Any scaling applied will preserve the rank order of raw marks (i.e. if your raw mark exceeds that of another student, then your scaled mark will exceed the scaled mark of that student), and may be either up or down.

Privacy Notice

The ANU has made a number of third party, online, databases available for students to use. Use of each online database is conditional on student end users first agreeing to the database licensor's terms of service and/or privacy policy. Students should read these carefully.

In some cases student end users will be required to register an account with the database licensor and submit personal information, including their: first name; last name; ANU email address; and other information.

In cases where student end users are asked to submit 'content' to a database, such as an assignment or short answers, the database licensor may only use the student's 'content' in accordance with the terms of service – including any (copyright) licence the student grants to the database licensor.

Any personal information or content a student submits may be stored by the licensor, potentially offshore, and will be used to process the database service in accordance with the licensors terms of service and/or privacy policy.

If any student chooses not to agree to the database licensor's terms of service or privacy policy, the student will not be able to access and use the database. In these circumstances students should contact their lecturer to enquire about alternative arrangements that are available.

TUTORIAL / SEMINAR REGISTRATION

Tutorial signup for this course will be done via the Wattle website. Detailed information about signup times will be provided on Wattle and during your first lecture. When tutorials are available for enrolment, follow these steps:

1. Log on to [Wattle](#), and go to the course site.
2. Click on the link "Tutorial signup here"
3. On the right of the screen, click on the tab "Become Member of" for the tutorial class you wish to enter.
4. Confirm your choice

If you need to change your enrolment, you will be able to do so by clicking on the tab "Leave group..." and then re-enrol in another group. You will not be able to enrol in groups that have reached their maximum number. Please note that enrolment in ISIS must be finalised for you to have access to Wattle.

SUPPORT FOR STUDENTS

The University offers a number of support services for students. Information on these is available online from <http://students.anu.edu.au/studentlife/>