Course Outline

BUSN8007 Analysis of Financial Reporting
Semester One, 2014

STUDENTS: Course details change from semester to semester. Please check that you are reading the Course Outline for the correct semester.

Course Description

This course is about financial reporting, but not how to report or account for activities. Two key features of the syllabus are the explicit linkage to the research literature and the emphasis on empirical evidence. The adopted approach is largely based on the economics of accounting and finance. The course also aims to introduce students to the theoretical and practical skills required to conduct their own empirical research.

Graduate Studies Select Classification

Not applicable

Contacts

<table>
<thead>
<tr>
<th>Role</th>
<th>Office address</th>
<th>Contact Details</th>
<th>Consultation Times</th>
</tr>
</thead>
<tbody>
<tr>
<td>Course Convenor and Lecturer (Course Authority)</td>
<td>HN 1031 Hanna Neumann Bldg 21</td>
<td><a href="mailto:steven.wu@anu.edu.au">steven.wu@anu.edu.au</a></td>
<td></td>
</tr>
<tr>
<td>Dr Steven Wu</td>
<td></td>
<td>6125 3586</td>
<td></td>
</tr>
<tr>
<td>Student Administrators</td>
<td>HN 2037 Hanna Neumann Bldg 21</td>
<td><a href="mailto:enquiriesabis@anu.edu.au">enquiriesabis@anu.edu.au</a></td>
<td>Office hours</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6125 0025 or 6125 7968</td>
<td>9am – 5pm</td>
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<td></td>
<td></td>
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<td>Monday – Friday</td>
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</table>

This course outline was prepared on 21 Jan, 2014 and revised on XXX for the use in semester One, 2014.
Communication

Email
If necessary, the lecturers and tutors for this course will contact students on their official ANU student email
c-address. Information about your enrolment and fees from the Registrar and Student Services’ office will also
be sent to this email address.

Announcements
Students are expected to check the Wattle site for announcements about this course, e.g. changes to
timetables or notifications of cancellations. Notifications of emergency cancellations of lectures or tutorials will
be posted on the door of the relevant room.

Course URLs
More information about this course may be found on:
- the College of Business and Economics website ([http://cbe.anu.edu/courses](http://cbe.anu.edu/courses)) and
- Wattle ([https://wattle.anu.edu.au](https://wattle.anu.edu.au)), the University’s online learning environment. Log on to Wattle using
  your student number and your ISIS password.

Course Information

Learning Outcomes
Upon completion of the course students will have read widely within the literature concerning the information content
of published financial statement and the use of accounting information in contracting. Students will have
demonstrated an understanding of the key issues presented in the above literature and the implications of these
issues for accounting research and practice. Students will also have developed rudimentary empirical research
skills.

Workload
Typically, a student enrolled in BUSN8007 is expected to allocate 12 hours a week to the course, including
contact hours. This will include:
1. 3 hours a week: seminar style lecture
2. 9 hours a week: private study (including reading, research, writing, seminar preparation and
   assignment).

Note: You are required to be prepared for class.

Course Delivery
Lecture: Day and Time: Friday, 2pm-5pm
Location: CBE TR8

Attendance Requirements
There will be one 3-hour seminar per week. Announcements made in seminars are deemed to have been
received by all students. You are strongly encouraged to attend all seminars. Merely reading the seminar
notes (in weeks where they are provided) is unlikely to provide you with an adequate understanding of the
issues presented.

Tutorial Registration
Not applicable
<table>
<thead>
<tr>
<th>Week beginning</th>
<th>Topic</th>
<th>Activity</th>
<th>Required student preparation</th>
<th>Deadlines</th>
</tr>
</thead>
<tbody>
<tr>
<td>17 February</td>
<td>Introduction &amp; Understanding Statistical Evidence</td>
<td>Seminar</td>
<td>Topic 1 reading</td>
<td></td>
</tr>
<tr>
<td>24 February</td>
<td>Accounting Information &amp; Capital Markets</td>
<td>Seminar</td>
<td>Topic 2 reading</td>
<td></td>
</tr>
<tr>
<td>3 March</td>
<td>Agency Conflicts &amp; Positive Accounting Theory</td>
<td>Seminar</td>
<td>Topic 3 reading</td>
<td></td>
</tr>
<tr>
<td>10 March</td>
<td>Earnings Management</td>
<td>Seminar</td>
<td>Topic 4 reading</td>
<td></td>
</tr>
<tr>
<td>17 March</td>
<td>Role of Accruals and the Accrual anomaly</td>
<td>Seminar</td>
<td>Topic 5 reading</td>
<td></td>
</tr>
<tr>
<td>24 March</td>
<td>Accounting Conservatism</td>
<td>Seminar</td>
<td>Topic 6 reading</td>
<td></td>
</tr>
<tr>
<td>31 March</td>
<td>Managerial Characteristics and Accounting Quality</td>
<td>Seminar</td>
<td>Topic 7 reading</td>
<td></td>
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<tr>
<td></td>
<td><strong>Mid semester teaching break – Monday 7 April to Friday 18 April</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22 April</td>
<td>Corporate Reporting Behaviour and information from Various Sources</td>
<td>Seminar</td>
<td>Topic 8 reading</td>
<td></td>
</tr>
<tr>
<td>28 April</td>
<td>Prediction of Future Cash Flows and Earnings</td>
<td>Seminar</td>
<td>Topic 9 reading</td>
<td></td>
</tr>
<tr>
<td>5 May</td>
<td>Valuation and Expected Returns</td>
<td>Seminar</td>
<td>Topic 10 reading</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Due: practical research assignment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 May</td>
<td>Security Analysts: role and incentives</td>
<td>Seminar</td>
<td>Topic 11 reading</td>
<td></td>
</tr>
<tr>
<td>19 May</td>
<td>Intangibles</td>
<td>Seminar</td>
<td>Topic 12 reading</td>
<td></td>
</tr>
<tr>
<td>26 May</td>
<td>Review</td>
<td>Seminar</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td><strong>Semester 1 examination period – Thursday 5 June to Saturday 21 June</strong></td>
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</tbody>
</table>
Reading List

Topic 1: (i) Introduction to the course and (ii) Understanding statistical evidence

Lennox, C. and J. Pittman, 2011, “Voluntary Audits versus Mandatory Audits”, The Accounting Review, 86, 1655-1678 (Examples of statistical analysis employed in this paper will form the basis of this class).

You should also begin reading papers for the following week’s seminar.

Topic 2: Accounting information and capital markets


Further reading:


Topic 3: Agency conflicts and Positive Accounting Theory


Further reading:


**Topic 4: Earnings management**

This class introduces the concept of “capturing” accounting manipulation (or at least accounting possibly subject to manipulation) by summary measures, rather than examining specific accounting policy choices.


**Further reading:**


**Topic 5: The role of accruals and the accrual anomaly**


**Further reading:**


**Topic 6: Accounting Conservatism**

The role of conservatism in Accounting; An examination of the definition, measurement, testing of conservatism.


**Further reading:**


**Topic 7: Managerial Characteristics and Accounting Quality**


**Topic 8: Corporate Reporting Behaviour and Information from Various Sources**


**Topic 9: Prediction of Future Cash Flows and Earnings**


**Further reading:**


**Topic 10: Valuation and Expected Returns**


**Further reading:**


**Topic 11: Security Analysts: role and incentives**


**Further reading:**


**Topic 12: Intangibles**


**Further reading:**


**Some Useful Review Articles**


**Assessment**

**Academic Honesty and integrity**

It is the responsibility of each individual student to ensure that:

a. you are familiar with ANU policy for academic integrity

b. work submitted for assessment is original

c. appropriate acknowledgement and citation is given to the work of others
d. you declare your understanding of, and compliance with, the principle of academic integrity by completing the appropriate cover sheet when submitting assessment items

For information on academic honesty and integrity please refer to http://academichonesty.anu.edu.au/

Proposed Assessment Schedule
Details about assessment may change during the first two weeks of semester. Please ensure that you check with your lecturer or tutor about any changes. Changes to the assessment schedule will be posted to the Wattle site.

<table>
<thead>
<tr>
<th>Assessment item</th>
<th>Brief description and detail of activity</th>
<th>Due Date</th>
<th>Weighting (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Practical Research Assignment</td>
<td>Rudimentary empirical research on a sample of real firms</td>
<td>Week 10 Seminar</td>
<td>30%</td>
</tr>
<tr>
<td>Seminar Report and Discussion</td>
<td>Each student will be required to lead the class discussion on at least one topic.</td>
<td>Various</td>
<td>25%</td>
</tr>
<tr>
<td>Participation in Seminar Discussion</td>
<td>You will be awarded a grade reflecting the frequency and quality of your contributions to seminar discussions.</td>
<td>Various</td>
<td>15%</td>
</tr>
<tr>
<td>Examination</td>
<td>Coverage: All topics covered during semester</td>
<td>During examination period</td>
<td>30%</td>
</tr>
</tbody>
</table>

Learning Outcomes-Assessment
How well have you achieved the learning outcomes for this course? Your lecturer makes this judgement based on your assignments and examination papers. This table illustrates how each assessment item provides evidence about your achievements against each learning outcome.

<table>
<thead>
<tr>
<th>Course Learning Outcomes</th>
<th>Practical Research Assignment</th>
<th>Seminar Report and Discussion</th>
<th>Participation in Seminar Discussion</th>
<th>Examination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Read widely within the literature concerning the information content of published financial statement and the use of accounting information in contracting.</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Understand the key issues presented in the above literature and the implications of these issues for accounting research and practice.</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Students will also have developed rudimentary empirical research skills.</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
Practical Research Assignment

The practical research assignment will require you to conduct rudimentary empirical research on a sample of real firms. Suggested topics will be provided. Alternatively, you may negotiate a topic with your course coordinator. You will be required to:

- Identify and download a sample appropriate for your purpose
- Manipulate the data in this sample using MS-Excel’s advanced functions
- Import your data to a statistical program such as SPSS, Stata and SAS
- Conduct rudimentary multivariate analysis of your data
- Test the sensitivity of your model to the effect of outliers
- Prepare a professionally presented report detailing your research motivation, method and findings

Seminar Report and Discussion

Each student will be required to lead the class discussion on an academic paper in at least one occasion. Depending on enrolments, there may be more than one student assigned to a particular paper. While you are not expected to present a complete ‘lecture’ on your topic, you should prepare a small number of powerpoint slides or hand-outs highlighting key issues/tables/equations/diagrams relevant to your readings. For the paper that you are assigned as the discussion leader, you will also be required to submit a written summary of the key issues including critiques considered in the paper. The written submission is due by 12 noon on the day prior to the seminar (email submission is preferred). You will be assessed on your demonstrated understanding of the assigned article(s) and their relevance to key issues studied in this course.

Participation in Seminar Discussion

You will be awarded a grade reflecting the frequency and quality of your contributions to seminar discussions. This mark is independent of that awarded under Seminar Report and Discussion. Failure to attend classes will affect your participation grade.

During the weeks which you are not allocated as the presenter, you are required to hand in a 1-2 pages (strictly) of summary and critique for one of the papers discussed during class. The quality of the hand-ins will also affect your participation grade.

Scaling

Your final mark for the course will be based on the raw marks allocated for each assignment or examination. 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.

Penalties

Late assignments may attract the following penalties:

<table>
<thead>
<tr>
<th>Lateness</th>
<th>Penalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 day</td>
<td>10% of awarded mark</td>
</tr>
<tr>
<td>2 days</td>
<td>15% of awarded mark</td>
</tr>
<tr>
<td>3 days</td>
<td>25% of awarded mark</td>
</tr>
<tr>
<td>4 days or more</td>
<td>No marks will be awarded</td>
</tr>
</tbody>
</table>

Examinations

The final examination will be held during the University’s official examination period.
Texts and Other Reading

Prescribed Texts
A set of prescribed readings is provided free of charge. These compulsory readings, and a set of additional readings, are available in electronic form through the ANU Library. Simply search for the journal name and an appropriate link will be provided. These readings may also be provided on the course's Wattle website.

Additionally, you will find the ANU's extensive list of electronic and traditionally delivered academic journals extremely useful.

Students should also obtain access to a basic statistics textbook which covers multiple regression analysis.

Course-related Matters

Requisites
Students should have successfully completed a unit in financial accounting, a subject in quantitative methods or statistics and a unit in corporate finance (or equivalent). Students with no finance background who elect to study this course will need to devote extra study time to enhance their understanding of the basic principles of finance (particularly financial asset valuation).

Co-teaching
Not applicable.

General Information for all Students
Please visit the following link:
http://policies.anu.edu.au/