



	<b>ANU College of Business &amp; Economics</b>	<b>School of Accounting &amp; Business Information Systems</b>
Mail:	Building 26C The Australian National University ACT 0200	Building 21 The Australian National University ACT 0200
Main Office:	Room 2.01 (Level 2) Building 26C See <a href="#">Campus Map</a>	Room 2037 (Level 2) Hanna Neumann (Bldg 21) See <a href="#">Campus Map</a>
Phone – Reception:		
International	+61 2 6125 3807	+61 2 6125 0025
Within Australia	1300 732 120 (local call cost only)	02 6125 0025
Fax – Reception:		
International	+61 2 6125 0744	+61 2 6125 4310
Within Australia	02 6125 0744	02 6125 4310
Email:	<a href="mailto:Info.cbe@anu.edu.au">Info.cbe@anu.edu.au</a>	<a href="mailto:Enquiries.ABIS@anu.edu.au">Enquiries.ABIS@anu.edu.au</a>

## Course Outline

### BUSN3001 Accounting Theory

### Semester 2, 2011

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

#### Course Description

The objective of this course is to provide the student with the opportunity to obtain a sound knowledge of normative, positive and critical theories of accounting. The course begins by examining the nature of theories and alternative forms of logic. The conceptual framework and key contemporary and historical accounting issues are examined, highlighting the role of theory in understanding current accounting standards, accounting practice and the use of accounting information by the myriad stakeholders in reporting entities. Throughout the course examples of the relationship between theories of accounting and decisions facing real people (accountants and financial statement users) are highlighted.

#### Contacts

Role	Office address	Email	Telephone	Consultation Times
Course Convenor and Lecturer (Course Authority) Seng Thiam Teh	2020 PAP Moran	<a href="mailto:seng.teh@anu.edu.au">seng.teh@anu.edu.au</a>	6125 3316	To be advised
Tutor/s Gladys Lee	1032 Hanna Neumann	<a href="mailto:gladys.lee@anu.edu.au">gladys.lee@anu.edu.au</a>	6125 7326	To be advised
Student Administrators	HN 2037 Hanna Neumann Bld 21	<a href="mailto:enquiries.abis@anu.edu.au">enquiries.abis@anu.edu.au</a>	6125 0025 or 6125 7968	Office hours 9am – 5pm Monday – Friday



## Communication

### Email

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

### Announcements

This course uses the ANU's WATTLE system for delivery of all on-line course materials. Copies of lecture slides/notes will appear on this site prior to lecture delivery. For some topics a set of full-text notes is provided. Copies of your required readings can also be found here.

Important notices in respect to the administration of the course may also appear on WATTLE. You are required to check the WATTLE site for this course at least once per week for announcements about this course, e.g., changes to timetables or notifications of cancellations. Notifications of emergency cancellations of lectures or tutorials will also be posted on the door to the relevant room.

### Course URLs

More information about this course may be found on:

- [Study @ ANU](#),
- the [College of Business and Economics website](#), and
- [Wattle](#), the University's online learning environment. Log on to Wattle using your student number and your ISIS password.

## Course Information

### Learning Outcomes

At the conclusion of the course students will have read more widely in accounting and will 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. Students will be familiar with concepts of theory development and theories of accounting policy choice, measurement of economic income and the societal use of accounting information. Students will have achieved a deeper understanding of selected contemporary issues in accounting, and have developed an ability to critically analyse these issues within the theoretical framework developed earlier in the course.

### Workload

Students taking this course are expected to commit at least 13 hours a week to completing the work. This will include:

- *2 hours a week: lecture*
- *1 hour a week: tutorial*
- *10 hours a week (average): private study, including working on the WATTLE site, including discussions and online learning, reading, research, writing and assignment preparation*



## Course Delivery

### Lectures and Tutorials

There will be one 2-hour lecture per week, and one 1-hour tutorial per week. Tutorials begin in Week 2. Announcements made in lectures are deemed to have been received by all students. You are strongly encouraged to attend all lectures and tutorials. Merely reading the lecture notes provided is unlikely to provide you with an adequate understanding of the issues presented. **STUDENTS WHO FAIL TO ATTEND AND PARTICIPATE IN TUTORIALS HAVE A HIGH RATE OF FAILURE IN THIS COURSE. TUTORIAL SOLUTIONS WILL NOT BE RELEASED ON WATTLE (with the exception of the 'practical' questions based on the 'Great Products' case study).**


Tutorial enrolment will be via the College's ETA system, and will be made available at **2.00 p.m. on Wednesday 27 July**.

### Private Study

You should be prepared to devote an average of 10 hours per week of private study in relation to this course.

## Tutorial Registration

Enrolment in tutorials will be completed online using the Electronic Teaching Assistant (ETA). To enrol, follow these instructions:

1. Go to <http://eta.fec.anu.edu.au>.
2. You will see the Student Login page. To log into the system, enter your University ID (your student number) and password (your ISIS password) in the appropriate fields and hit the **Login** button.
3. Read any news items or announcements.
4. Select "Sign Up!" from the left-hand navigation bar.
5. Select your courses from the list. To select multiple courses, hold down the control key. On PCs, this is the **Ctrl** key; on Macs, it is the  key. Hold this key down while selecting courses with the mouse. Once courses are selected, hit the **SUBMIT** button.
6. A confirmation of class enrolments will be displayed. In addition, an email confirmation of class enrolments will be sent to your student account.
7. For security purposes, please ensure that you click the **LOGOUT** link on the confirmation page, or close the browser window when you have finished your selections.
8. If you experience any difficulties, please contact the School Office (see page 1 for contact details).



### Study Schedule

Teaching Week	Week beginning	Topic	Due Date
1	25 Jul	Introduction and Analysis of the Role of Accounting in Corporate Failure	
2	1 Aug	Introduction to Theories and Their Application to Accounting	
3	8 Aug	The Conceptual Framework and the Conceptual Basis of Income Measurement	
4	15 Aug	Positive Accounting Theory I – Introduction and Agency Theory	
5	22 Aug	Positive Accounting Theory II – Earnings Management and Accounting Policy Choice	Essay Part A - Due 4 p.m. 22 Aug
6	29 Aug	Positive Accounting Theory II – Earnings Management and Accounting Policy Choice Positive Accounting Theory III – Capital Market Response to Accounting Reports	
7	4 Sep	Positive Accounting Theory III – Capital Market Response to Accounting Reports	
		<b>Mid-Semester Break</b>	
8	26 Sep	Behavioural Accounting Research	
9	3 Oct	No Lectures or Tutorials Week (Essay Due Next Monday).	
10	10 Oct	Regulation of Financial Accounting – History and Current Issues	Essay Part B -Due 4 p.m. 11 Oct
11	17 Oct	Current Purchasing Power Accounting	
12	24 Oct	Current Cost Accounting, CoCoA and Value to the Entity Accounting	
13	31 Oct	Review	



## Assessment

### 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.

Task	Due Date	Weighting(%)
Research Assignment Part A – Referencing Exercise/Essay Plan	4 p.m. Monday 21 March	10%
Research Assignment Part B – Research Essay	4 p.m. Monday 9 May	30%
Final Exam	University Examination Period	60%
<b>TOTAL</b>		<b>100%</b>

To be guaranteed a pass (or better) grade in this subject you must achieve a mark equal to or exceeding 50% of the total marks available for assessment, and satisfactorily complete each item of assessment, and also achieve a mark of at least 40% (of the marks available) in the final examination.

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

All of the learning outcomes described above are relevant in determining the assessed grade for both the Research Assignment and Final Exam.

### 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.

Course Learning Outcomes	Assignment Part A	Assignment Part B	Examination
Upon successful completion of the requirements for this course, students will be able to:			
have read more widely in accounting	✓	✓	✓
have acquired a deeper and more critical appreciation of what defines contemporary accounting practice and what it is that should define the nature, scope and future of accounting		✓	✓
be familiar with concepts of theory development and theories of accounting policy choice, measurement of economic income and the societal use of accounting information	✓	✓	✓
have achieved a deeper understanding of selected contemporary issues in accounting		✓	✓
have developed an ability to critically analyse these issues within the theoretical framework developed in the course.		✓	✓



### Assignment Details

**THE DETAILS OF PARTS A AND B OF YOUR RESEARCH ASSIGNMENT WILL BE DISTRIBUTED IN A SEPARATE HANDOUT.**

As an overview, your assignment will comprise two separate submissions, the first being a referencing exercise/essay plan and the second an essay requiring critical analysis of a selected contemporary issue in financial accounting.

You will receive feedback on your referencing exercise at least 2 weeks prior to the submission date for the research essay. 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.

**FAILURE TO SUBMIT EITHER PART OF THE ESSAY WILL RESULT IN AN AUTOMATIC FAIL IN THIS UNIT. IT IS A REQUIREMENT OF THIS COURSE THAT YOU KEEP A DUPLICATE HARD COPY AND ELECTRONIC COPY OF EACH ASSESSMENT ITEM SUBMITTED.**

**A copy of the University's 'Code of Practice for Student Academic Honesty' is provided at the end of this document. You will be required to sign and submit a statement attesting that you have read and understood this Code of Practice prior to submitting Essay Part B. If you do not understand any part of this Code of Practice, or are unsure of your understanding of this Code of Practice, it is an absolute requirement of this course that you seek clarification from the lecturer. Deliberate Plagiarism may result in an automatic fail in this subject and further disciplinary proceedings.**

#### Part A – Referencing Exercise and Essay Plan

Due Date	22 August 2011
Value or Weighting (%)	10%
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 component

#### Part B – Research Essay

Due Date	11 October 2011
Value or Weighting (%)	30%
Purpose	To critically analyse a selected contemporary issue in financial accounting

### Return of Assignments

Students should check Wattle for instructions regarding when and where to collect marked assignments from.

### 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.



### Extensions

All applications for extensions are to be addressed in writing (email is fine) to the Course Convenor. Late assignments will not be accepted without valid reasons, e.g., a medical certificate is required for illness. Having other competing assignments due on the same day is not a valid reason. Non-submission of a compulsory assignment will preclude students from qualifying for a supplemental or further examination.

### Penalties

Late assignments will attract the following penalties:

Lateness	Penalty
1 day	20% of awarded mark
2 days	30% of awarded mark
3 days	50% of awarded mark
4 days or more	No marks will be awarded

### Examinations

#### Dates for Examinations

The 2011 Semester 2 Examination Period commences on 10 November and continues through to 26 November (inclusive of these dates). Students are required to make themselves available during this entire period for further examination as needed.

#### Assessment Review and Appeals

Students are asked to raise any queries regarding continuous assessment results before the final examination, and to inspect assessment items before appealing assessment results. If there are reasonable grounds for appeal in regard to an assessment item the student should contact the relevant Course Authority. The Course Convenor (Examiners) should be contacted in regard to all queries regarding the assessment of this course or overall performance. In situations where an Examiner and student are unable to resolve an issue satisfactorily the school office should be contacted by email outlining the grounds for appeal.

## Texts and Other Reading

### Prescribed Texts

There is **NO PRESCRIBED TEXT FOR THIS COURSE**.

There are several useful texts available in the Library, almost all of which are titled "Accounting Theory". For those who wish to purchase an introductory text, the following is recommended:

Deegan, Craig. *Financial Accounting Theory*, 3rd edn., McGraw-Hill, 2009.

Earlier editions of this text are also suitable, as are most other 'accounting theory' or 'contemporary issues in accounting' texts published since 2000.



Additionally, required readings will be made available on WATTLE. Some of these readings will be the subject of prescribed tutorial questions. Other readings are of a more general nature. The list of required readings is provided below. Other readings may be prescribed during the semester. If this is the case, you will be notified of this via WATTLE.

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 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 5000 International 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.

**Recommended 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 Davies and Bourne (1972)
Introduction to Theories and Their Application to Accounting	Chalmers Ch 2 & 3 (See WATTLE) Hines (1988a) Hines (1988b)
The Conceptual Framework and the Conceptual Basis of Income Measurement	IASB (2005) FASB (2008a) FASB (2007)
Introduction to Positive Accounting Theory – Agency Theory	Fama & Jensen (1983) Jensen & Meckling (1976)
Earnings Management and Accounting Policy Choice	Healy (1985) Bartov (1993) Healy & Wahlen (1999) Wilson & Shailer (2007)
Positive Accounting Theory – Capital Market Response to Accounting Reports	Ball & Brown (1968) Dechow & Schrand (2004) Ch. 3 Kothari (2001)
Behavioural Accounting Research	Painter (1999-2000) Hopwood (1983) Miller (1994) Solomons (1991) Swieringa & Weick (1982).



Regulation of Financial Accounting – History and Current Issues	Watts & Zimmerman 1986 Ch.7 Watts & Zimmerman 1978 Watts & Zimmerman 1979 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)

#### **Bibliographic References to Prescribed Reading and Other Papers**

- 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.
- 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.
- Davies, P. N. & Bourn, A. M. (1972). Lord Kysant and the Royal Mail. *Business History*, 14(2), 103-123.
- Dechow, P. M. & Schrand, C. M. (2004). *Earnings quality*. Charlottesville: Research Foundation of CFA Institute.
- 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.
- Financial Accounting Standards Board (2007). *Preliminary views: Financial instruments with characteristics of equity*. Financial Accounting Series No. 1550-100. November, Stamford: FASB.
- Financial Accounting Standards Board (2008a). *Exposure draft: Conceptual framework for financial reporting: The objective of financial reporting and qualitative characteristics and constraints of decision-useful financial reporting information*. Financial Accounting Series No. 1570-100. May, Stamford: FASB.
- 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.
- Healy, P. M. & Wahlen, J. M. (1999). A review of the earnings management literature and its implications for standard setting. *Accounting Horizons*, 13(4), 365-383.
- 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.
- International Accounting Standards Board (2005). *Measurement bases for financial accounting – Measurement on initial recognition*. London: IASB
- Jensen, M. & Meckling, W. (1976). Theory of the firm: Managerial behaviour, agency costs and ownership structure. *Journal of Financial Economics*, 3, 305-60.
- Kothari, S.P. (2001). Capital markets research in accounting. *Journal of Accounting and Economics*, 31, 105-131.
- 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.
- Painter, R. W. (1999-2000). Lawyers' rules, auditors' rules and the psychology of concealment. *Minnesota Law Review*, 84, 1399-1437.
- 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.
- Solomons, D. (1991). Accounting and social change: A neutralist view. *Accounting Organizations and Society*, 16(3), 287-295.
- 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.
- Wilson, M. & Shailer, G. (2007). Accounting manipulations and political costs: Tooth & Co. Ltd 1910-65. *Accounting and Business Research*, 37, 247-265.

## Course-related Matters

### Requisites

BUSN2015 Company Accounting or equivalent



## General Information for all Students

Please visit the following link:

[http://cbe.anu.edu.au/Current\\_Students/general\\_info/student\\_info.asp](http://cbe.anu.edu.au/Current_Students/general_info/student_info.asp)

### Plagiarism

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

- you are familiar with ANU policy for academic integrity
- work submitted for assessment is original
- appropriate acknowledgement and citation is given to the work of others
- 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/>

The College regards plagiarism as any appropriation of the ideas or expressions of another without relevant and appropriate acknowledgment. This includes un-attributed appropriation of text or content and may extend to improper referencing. Plagiarism will not be tolerated in any course and all discovered instances would be pursued to the full extent allowable under the rules.

Where students have doubts as to how to deal with or acknowledge source materials in course assignments they should consult the lecturer or tutor.

The penalties and administrative procedures regarding plagiarism are incorporated in the ANU Policy on Academic Honesty.

On-line material discussing plagiarism and referencing styles is available from the Academic Skills and Learning Centre Web page (<http://www.anu.edu.au/academicskills/>).