



SCHOOL OF ACCOUNTING & COMMERCIAL LAW

Telephone 463 7465, Facsimile 463 5076. E-mail: sacl@vuw.ac.nz

ACCY 412 CURRENT ISSUES IN FINANCIAL ACCOUNTING - Trimester 1, 2008

COURSE OUTLINE

Contact Details

Lecturers

Prof Keitha Dunstan

Email:

Office

RH 706

keitha.dunstan@vuw.ac.nz

Telephone

Phone: 463 6957

A/Prof Rachel Baskerville

Email:

RH 625

rachel.baskerville@vuw.ac.nz

Phone 463 6951

Prof Tony van Zijl

Email:

RH 606

tony.vanzijl@vuw.ac.nz

Phone: 463 5329

Course Coordinator

Academic

Professor Keitha Dunstan

Administrative

Michelle Sainsbury

Email:

RH 708

Michelle.Sainsbury@vuw.ac.nz

Phone: 463 7465

Class Time and Room Number

Seminar Time: Wednesday 2.40 – 4.30 pm, RWW 128

Course Objectives

By the end of the course students should be able to understand

- Some of the principal factors shaping the environment of financial reporting and accounting policy choice.
- The usefulness and the impact of accounting information.
- The impacts of adoption of IFRS.
- Differing perspectives on the concept of income and measurement in accounting

Course Content

This course aims to provide a critical insight into, and develop an understanding of, a selection of current issues relevant to the role of financial accounting organised around the major topics which are being debated in 2008. However, this is not a simple examination of the issues in the standard-setters' current work plans, but a review of the economic and political situation within which the standard setters go about their business, and the impact of these factors on the standards that emerge.

It is expected that students will draw on their knowledge of accounting theory derived from other courses in order to identify three major drivers underlying the changes students will be analysing: (1) the incentives of the parties (managers, directors, auditors, accounting firms, regulators and users); (2) the environment (governance problems, harmonisation, and the growing importance of intangible assets); and (3) the legacy of unresolved conceptual problems.

The course will be grounded firmly in the knowledge derived from research.

Materials and Equipment

A fee will be charged for course materials.

Assessment Requirements

Assessment will be based on the following:

Component	Weighting
Group project	20%
One essay	25%
Final examination	55%

Group Project and Essays

Students are required to complete a group project based on one of the topic areas covered during the trimester. Groups will be made up of five to six students. The due date for the group project will be Monday, 26 May 2008. The group is required to present the results of their research during class on Wednesday, 28 May 2008.

The essay is due on Friday, 16 May 2008. Choose your own topic relevant to the themes of the course. Please discuss your choice of topic with the relevant lecturer at your earliest opportunity. A draft of the essay is due with the lecturer by Monday, April 28th. Email submissions are acceptable. Late submission will be penalised.

Mandatory Course Requirements

Students must complete all items of assessment.

Programme

Week	Date	Lecturer	Topic
1	27 February	Keitha Dunstan	Overview and key issues
2	5 March	Keitha Dunstan	Earnings smoothing literature
3	12 March	Keitha Dunstan	Disclosure and governance
4	19 March	Rachel Baskerville	Managerial Discretion
5	26 March	Rachel Baskerville	IFRS Adoption
6	02 April	Rachel Baskerville	Professionalisation and the Big Four globalised franchises
7	09 April	Rachel Baskerville	Reporting by Pension Schemes
8	30 April	Rachel Baskerville	Sponsoring Entities and superannuation scheme reporting
9	07 May	Rachel Baskerville	Sector bending and not-for-profits in the health sector
10	14 May	Tony van Zijl	Fair value issues
11	21 May	Tony van Zijl	Financial Statement Presentation
12	28 May	Tony van Zijl & Keitha Dunstan	Group projects presentations

The readings for each week will be supplied separately.

Week 2:

Earnings smoothing literature

1. Buckmaster, Dale A, 2001, Development of the Income Smoothing Literature 1893-1998, Chapters 4, 5 & 6.
2. Schipper, K, 2005, The introduction of International Accounting Standards in Europe: Implications for international convergence. *European Accounting Review*, 14, 101-126.

Week 3:

Disclosure and governance

TBA

Week 4:

Managerial discretion

1. Bartov, Eli., Partha Mohanram and Doron Nissim, 2007, Managerial discretion and the economic determinants of the disclosed volatility parameter for valuing ESOs, *Review of Accounting Studies* 12, pp. 155–179
2. Baskerville, Rachel, “The Nine Lives of Managerial Discretion”, Working Paper, February 2008.
3. Brown, Lawrence D. and Arianna Spina Pinello (2007) To What Extent Does the Financial Reporting Process Curb Earnings Surprise Games? *Journal of Accounting Research* 45 (5), pp. 947–981.
4. Crossland, A Craig and Donald C. Hambrick 2007 How national systems differ in their constraints on corporate executives: a study of CEO effects in three countries *Strategic Management Journal*, Volume 28, 8 , pp. 767 – 789
5. Ghosh, Alope, Doocheol Moon, Kishore Tandon (2007) CEO Ownership and Discretionary Investments, *Journal of Business Finance & Accounting* 34 (5-6), pp. 819–839.

Week 5:

IFRS adoption in Europe and the UK since 2005 and the challenge of multi-lingualism

1. Street, D. L. and Larson, R. K. 2004 Large Accounting Firms' Survey Reveals Emergence Of "Two Standard" System In The European Union *Advances in International Accounting*, Volume 17, 2004, Pages 1-29.
2. Evans, L. (2004) ‘Language, translation and the problem of international accounting communication’, *Accounting, Auditing and Accountability Journal*, 17 (2) 210 – 248.
3. Horton J. and Serafeim G., 2007 ‘Market Reaction and Valuation of IFRS Reconciliation Adjustments: First Evidence from the UK’ .
4. Nobes, C. (2006) ‘The survival of international differences under IFRS: towards a research agenda’, *Accounting & Business Research*, 36 (3), 233 - 245
5. Riahi-Belkaoui, A. and Picur, R.R. (1991) ‘Cultural determinism and the perception of accounting concepts’, *International Journal of Accounting*, 26 (2), 118-30.
6. Zeff, S. (2007) ‘Some Obstacles to Global Financial Reporting Comparability and Convergence at a High Level of Quality’ *The British Accounting Review*, 39, 290 – 302.

Additional references:

1. Ball, R. (2006) ‘International Financial Reporting Standards (IFRS): pros and cons for investors’, *Accounting and Business Research*, *International Accounting Forum*, 5-27.
2. Douppnik T.S. and Richter, M. (2003) ‘Interpretation of uncertainty expressions: a cross-national study’, *Accounting, Organizations and Society*, 28 (1), January 2003, 15-35.
3. IASB website: www.iasb.org/
4. Laswad, F and Y T Mak. (1999/2000), Interpretations of Probability Expressions: A Comparison Between Standard-Setters and Accountants, *Pacific Accounting Review Millennium Edition*, 11 (2), 241-54.

5. Power, M. (2003) 'Auditing and the Production of Legitimacy', *Accounting, Organizations and Society*, 28 (4), 379-394.

Week 6:

Professionalisation and the Big Four globalised franchises

1. Anderson-Gough, F., Grey, C., & Robson, K. (2002). Accounting professionals and the accounting profession: linking conduct and context. *Accounting and Business Research*, 32, 41–56.
2. Barrett, M., Cooper, D. J. & Jamal, K. (2005). Globalization and the coordinating of work in multinational audits. *Accounting, Organizations and Society*, 30, 1–24.
3. Baskerville, R F and Hay, D., 2007, The effects on professional accounting firms of globalization: the stories of partnership organizations, Working paper.
4. Brock, D. M., & Powell, M. J. (2005). Radical strategic change in the global professional network: the global professional network: the Big Five 1999–2001. *Journal of Organizational Change Management*, 18, 451–468.
5. Cooper, D. J., Greenwood, R., Hinings, B., & Brown, J. L. (1998). Globalization and nationalism in a multinational accounting firm: the case of opening new markets in Eastern Europe. *Accounting, Organizations and Society*, 23, 531–548.
6. Guillen, M. F. (2001). Is globalization civilizing, destructive or feeble? A critique of five key debates in the Social Science Literature, *Annual Review of Sociology* 27, 235–260

Additional references:

1. Baskerville, R. & Hay, D., (2006). The Effect of the Big Eight Accounting Firm Mergers on the market for audit services: Further Evidence. *Abacus*, 42, 87–104.
2. Baskerville, R. F. & Beechey, J. (2007). The significance of role definition and specificity on performance-based compensation: the case of accounting partnerships, conference paper presented to the Oxford Business and Economics Conference, St Hugh's College, June 23–25, 2007.
3. Cooper, D. J., Hinings, R., Greenwood, R., & Brown, J. L. (1996). Sedimentation and transformation in organizational change: The case of Canadian law firms. *Organization Studies*, 17, 623 - 647.
4. Covalleski, M.A., Dirsmith, M.W., Heian, J.B. & Samuel, S., (1998). The calculated and the avowed: Techniques of discipline and struggles over identity in big six public accounting firms. *Administrative Science Quarterly*, 43, 293–327.

Week 7:

Reporting by Pension Schemes

1. Brown, Kerry A. and Gallery, Gerry T. and Gallery, Natalie (2002), Informed superannuation choice: constraints and policy resolutions *Economic Analysis and Policy* 32(1):pp. 71-90.
2. International Accounting Standards Board, 2006. IAS 26: Accounting and reporting by retirement benefit plans, 1988.

3. Laswad, F and R. Baskerville, 2007, An analysis of the value of cash flow statements of New Zealand pension schemes *British Accounting Review*, Volume 39 issue 4 Pages 347-355
4. Ministry of Economic Development, 2004, Legislation Changes Affecting Superannuation and Relevant Case Law as at 30 June 2004 http://www.isu.govt.nz/templates/MultipageDocumentPage___22775.aspx
5. Stanford, Jon D & Michael E. Drew, 2003. "A Review of Australia's Compulsory Superannuation Scheme after a Decade," Discussion Paper Series 322, School of Economics, University of Queensland, Australia <http://www.uq.edu.au/economics/abstract/322.pdf>

Additional references:

1. R. Baskerville, 2007, Research on Financial Reporting by Defined Benefit Schemes School of Accounting and Commercial Law Working Paper series No. 45 <http://www.victoria.ac.nz/sacl/CAGTR/workingpapers/WP45.pdf>
2. Government Actuary, 2007, Report of the Government Actuary for the Year Ended 30 June 2007, Presented to the House of Representatives pursuant to Section 28 of the Superannuation Schemes Act 1989.
3. http://www.isu.govt.nz/templates/StandardSummary___22379.aspx
4. Grant M and Trinh Le, 2004, The Impact of Workplace and Personal Superannuation Schemes on Net Worth: Evidence from the Household Savings Survey, New Zealand Treasury Working Paper Series number 04/08. <http://ideas.repec.org/s/nzt/nztwps.html>
5. Institute of Chartered Accountants of New Zealand, 2004. FRS 32: Financial reporting by superannuation schemes, 1998.

Week 8:

Sponsoring Entities and superannuation scheme reporting

1. Cole, C. K., Sommer, D. W., 2005. An Empirical Analysis of the Motives for Fully Funded Defined Benefit Plan Terminations. *Journal of Insurance Issues* 28 (1), 33–63.
2. Gallery, G., and Natalie Gallery (2004) Applying Conceptual Framework Principles to Superannuation Fund Accounting *Abacus* 40 (1) , 117–131 and also (2003) Inadequacies and inconsistencies in superannuation fund-level financial disclosure: The need for a principles-based approach . *The Australian Economic Review* 36(1):pp. 89-97.
3. Gallery, Natalie (2003) Are superannuation disclosures in company financial reports useful? *Australian Accounting Review* 13(2):pp. 60-73.
4. Klumpes, P. J. M., Whittington, M., Forker, J., 2003. Determinants of actuarial valuation method changes for pension funding and reporting: Evidence from the UK. *Journal of Business Finance & Accounting* 30 (1&2), 175- 204.
5. Whittington, G., Mcgeachin, A., 2003. Some current issues in accounting for the cost of defined benefit pension schemes. *IMA Journal of Management Mathematics* 14 (2), 89 – 99.
6. Wiedman, C. I., Wier, H. A., 2004. The Market Value Implications of Post-Retirement Benefit Plans and Plan Surpluses - Canadian Evidence. *Canadian Journal of Administrative Sciences* 21 (3), 229 – 241.

Week 9:

Sector bending and not-for-profits in the health sector

1. Chang, C. F., & Tuckman, H. P. (1990). Why do nonprofit managers accumulate surpluses, and how much do they accumulate? *Nonprofit Management and Leadership*, 1(2), 117-134.
2. Fisman, R., & Hubbard, R. G. (2005). Precautionary savings and the governance of non-profit organisations. *Journal of Public Economics*, 89, 2231-2243.
3. Goodin, R. E. (2003). *Democratic Accountability: The Third Sector and All: The Hauser Center for Nonprofit Organizations*, The John F. Kennedy School of Government.
4. Hodges R.; Mellett H. 2003 Reporting public sector financial results *Public Management Review*, Volume 5, Number 1, March 2003 , pp. 99-113(15)
5. James, E. (2004). Commercialism and the mission of nonprofits. In P. Frumkin & J. B. Imber (Eds.), *In search of the nonprofit sector* (pp. 73-84). New Brunswick, NJ: Transaction Publishers.
6. Leone, A. J., & Van Horn, R. L. (2005). How do nonprofit hospitals manage earnings? *Journal of Health Economics*, 24(4), 815-837.

Additional references:

1. Minister of Health. (2001). *The Primary Health Care Strategy*. Wellington: Ministry of Health.
2. Nowland-Foreman, G. (1997). Can Voluntary Organisations survive the bear hug of government funding under a contracting regime? - a view from Aotearoa/New Zealand. *Third Sector Review*, 3, 5-39.

Week 10:

Fair Value Issues

1. AAA Financial Accounting Standards Committee, Response to the FASB's Exposure Draft on Fair Value Measurements, *Accounting Horizons*, September 2005, 187-196.
2. Beatty, A. and J. Weber, Accounting Discretion in Fair Value Estimates: An Examination of SFAS 142 Goodwill Impairments, *Journal of Accounting Research*, May 2006, 257-288 (and Discussion).
3. Cairns, D., The Use of Fair Value in IFRS, *Accounting in Europe*, Vol 3, 2006, 5-22.
4. Hitz, J., The Decision Usefulness of Fair value Accounting – A Theoretical Perspective, *European Accounting Review*, Vol 16, No. 2, 2007, 323-362.
5. IASB, Fair Value Measurements, Discussion Paper; and Project Update: Web site <http://www.iasb.org/Current+Projects/IASB+Projects/Fair+Value+Measurement/Fair+Value+Measurement.htm> February 2008.
6. Hodder, L., Hopkins, P. and J. Wahlen, Risk-Relevance of Fair-Value Income Measures for Commercial Banks, *Accounting Review*, April 2006, 337-375.

7. van Zijl, T. and G. Whittington, Deprival Value and Fair Value: A Reinterpretation and a Reconciliation, *Accounting and Business Research*, July 2006, 121-130.

Week 11:

Financial Statement Presentation

1. Biddle, G. and J. Choi, Is Comprehensive Income Useful?, *Journal of Contemporary Accounting and Economics*, June 2006, 1-32.
2. Bagnoli, M. and S. Watts, Financial Reporting And Supplemental Voluntary Disclosures, *Journal of Accounting Research*, Dec 2007, Vol. 45, No. 5, 885–913.
3. Canadian Performance Reporting Board (CICA), Improved Communication with Non-GAAP Financial Measures, February 2008.
4. Chambers, D., Linsmeier, T., Shakespeare, C. and T. Sougiannis, An evaluation of SFAS No. 130 Comprehensive Income Disclosures, *Review of Accounting Studies*, Vol 12, No. 4, December 2007
5. Financial Statement Presentation - Joint Project of the IASB and FASB, Web site <http://www.iasb.org/Current+Projects/IASB+Projects/Financial+Statement+Presentation/Financial+Statement+Presentation.htm> February 2008.
6. Lin, S., Testing the Information Set Perspective of UK Financial Reporting Standard No. 3: Reporting Financial Performance, *Journal of Business Finance & Accounting*, 2006, 1110-1141.
7. Tarca, A., Brown, P., Hancock, P., Woodliffe, D., Bradbury, M. and T. van Zijl, Identifying Decision Useful Information with the Matrix Format Income Statement, *Journal of International Financial Management & Accounting*, forthcoming, Vol 19, No 2, February 2008, 36 pp.

Faculty of Commerce and Administration Offices

Railway West Wing (RWW) - FCA Student and Academic Services Office

The Faculty's Student and Academic Services Office is located on the ground and first floors of the Railway West Wing. The ground floor counter is the first point of contact for general enquiries and FCA forms. Student Administration Advisers are available to discuss course status and give further advice about FCA qualifications. To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

Easterfield (EA) - FCA/Education/Law Kelburn Office

The Kelburn Campus Office for the Faculties of Commerce and Administration, Education and Law is situated in the Easterfield Building - it includes the ground floor reception desk (EA005) and offices 125a to 131 (Level 1). The office is available for the following:

- Duty tutors for student contact and advice.
- Information concerning administrative and academic matters.
- Forms for FCA Student and Academic Services (e.g. application for academic transcripts, requests for degree audit, COP requests).
- Examinations-related information during the examination period.

To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

General University Policies and Statutes

Students should familiarise themselves with the University's policies and statutes, particularly the Assessment Statute, the Personal Courses of Study Statute, the Statute on Student Conduct and any statutes relating to the particular qualifications being studied; see the Victoria University Calendar or go to www.vuw.ac.nz/policy.

For information on the following topics, go to the Faculty's website www.vuw.ac.nz/fca under Important Information for Students:

- Academic Grievances
- Academic Integrity and Plagiarism
- Student and Staff Conduct
- Meeting the Needs of Students with Impairments
- Student Support

Manaaki Pihipihinga Programme

Manaaki Pihipihinga is an academic mentoring programme for undergraduate Māori and Pacific students in the Faculties of Commerce and Administration, and Humanities and Social Sciences. Sessions are held at the Kelburn and Pipitea Campuses in the Mentoring Rooms, 14 Kelburn Parade (back courtyard), Room 109D, and Room 210, Level 2, Railway West Wing. There is also a Pacific Support Coordinator who assists Pacific students by linking them to the services and support they need while studying at Victoria. Another feature of the programme is a support network for Postgraduate students with links to Postgraduate workshops and activities around Campus.

For further information, or to register with the programme, email manaaki-pihipihinga-programme@vuw.ac.nz or phone (04) 463 5233 ext. 8977. To contact the Pacific Support Coordinator, email pacific-support-coord@vuw.ac.nz or phone (04) 463 5842.