



SCHOOL OF ACCOUNTING & COMMERCIAL LAW

Telephone 463 5383, Facsimile 495 5076. E-mail: sacl@vuw.ac.nz

ACCY 412 CURRENT ISSUES IN FINANCIAL ACCOUNTING

Trimester One 2009

COURSE OUTLINE

Contact Details

Course Coordinator and Lecturer:

	Office	Telephone	Email
Assoc. Professor Rachel Baskerville	RH 625	463-6951	Rachel.Baskerville@vuw.ac.nz

Class Times and Room Numbers

Tuesday 2.40pm – 5.30pm

Railway Building RWW 125

Lectures

Lectures are held from: 2 March 2009 – April 9 2009

Mid-trimester break: 10 April 2009 – 24 April 2009

Lectures resume: Mon 27 April 2009

Study/examination period: 15 June – 1 July 2009

Lecture Programme

As described in this outline

Course Objectives

By the end of the course students should be able to

1. Read a typical research article on a current issue in financial reporting and understand its approach;
2. Understand the strengths and weaknesses of different methods for gaining evidence about financial accounting issues;
3. Use analytical skills in reviewing published research in a range of top accounting journals;
4. Understand the impact of accounting transgressions on the profession and CA firm behaviour;
5. Demonstrate an improvement in communication skills, both written and spoken, in their class involvement.

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. 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.

There are three major themes in the course: (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 IFRS); and (3) the legacy of unresolved conceptual problems.

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

Readings

Week 1: Introduction

Tweedie, D., 2008, Beancounters or Market Drivers? – The Role of the Reporting Accountant, Presentation to the ICAS Conference, 4 September, 2008.

Lee, T. A. 2006, The war of the sidewardly mobile corporate financial report *Critical Perspectives on Accounting* Vol. 17: 419 - 455

Week 2: Transgression viewpoints

Baskerville, R. F., 2004, “Dangerous, Dominant, Dependent, or Definitive: Stakeholder Identification when the Profession Faces Major Transgressions” *Accounting and the Public Interest*, 2004, 4: 24 – 42

Cox, Howard, 2007, Business on trial: The tobacco securities trust and the 1935 pepper debacle *Business History*, Volume 49, Number 6: 823 – 843

McMillan Keith P., 2004, Trust and the virtues: a solution to the accounting scandals? *Critical Perspectives on Accounting*, Volume 15, Numbers 6-7: 943 – 953

Walenta, Jayme, 2006 Corporate Bodies of Desire: An investigation into the ‘Women of Enron’. *Gender, Place and Culture: A Journal of Feminist Geography*, Volume 13, Number 4, 437 - 453

Week 3: Environmental reporting

Cormier, Denis and Michel Magnan, 2007, The revisited contribution of environmental reporting to investors' valuation of a firm's earnings: An international perspective *Ecological Economics*, Volume 62, Number 3-4: 613 – 626

Fleischman, Richard K. and Karen Schuele, 2006, Green accounting: A primer, *Journal of Accounting Education*, Volume 24, Number 1 January 2006: 35 – 66

*Milne, Markus, 2002, Positive Accounting Theory: political costs and social discourse analysis: a critical look. *Critical Perspectives on Accounting* 13: 369 - 395

Milne, Markus, and Ralph A. Adler, 1999, Exploring the reliability of social and environmental disclosures content analysis, *Accounting, Auditing and Accountability Journal* 12, 2: 237 - 256

*Spence, Crawford, 2007, Social and environmental reporting and hegemonic discourse 2007 *Accounting, Auditing & Accountability Journal*, Volume 20, Number 6: 855 – 882

Toms, J. S. 2002, Firm resource, quality signals and the determinants of corporate environmental reputation: some UK evidence. *British Accounting Review* 34: 257 - 282

Week 4: Stock Option valuation issues

Johnston, Derek, 2006, Managing Stock Option Expense: The Manipulation of Option-Pricing Model Assumptions *Contemporary Accounting Research* Volume 23, Number 2: 395 - 425

Kuang, Yu Flora 2008, Performance-vested Stock Options and Earnings Management, *Journal of Business Finance & Accounting*, Volume 35, Number 9-10 November 2008: 1049 – 1078

Rajgopal and S 2002, Empirical evidence on the relations between stock option compensation and risk taking, *Journal of Accounting and Economics* Col. 33: 145 - 171

Walters, M and J. J. Young, 2008, Metaphors and accounting for stock options. *Critical Perspectives on Accounting* 19: 805 – 833

Week 5: Managerial discretion and SO valuation

Balsam, Steven, and Setiyono Miharjo, 2007, The effect of equity compensation on voluntary executive turnover *Journal of Accounting and Economics*, Volume 43, Number 1: 95 – 119

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: 155–179

*Baskerville, Rachel, “Why talking past each other about managerial discretion matters” Draft Paper, February 2009.

*Buckmaster, Dale A, 2001, Development of the Income Smoothing Literature 1893 - 1998, Chapters 4, 5 & 6.

*Carpenter, J. 2000, Does option compensation increase managerial risk appetite. *The Journal of Finance* Vol 15 8: 2311

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 : 767 – 789

*Ghosh, Alope, Doocheol Moon, Kishore Tandon 2007, CEO Ownership and Discretionary Investments, *Journal of Business Finance & Accounting* 34 56, : 819–839.

Marquardt, Carol, and Christine Wiedman. 2007, Economic consequences of financial reporting changes: diluted EPS and contingent convertible securities. *Review of Accounting Studies*, Volume 12, Number 4: 487-523,

Week 6: Pensions accounting and superannuation issues

*Baskerville, R 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>

Bergstresser, Daniel, Mihir Desai, Joshua Rauh 2006, Earnings Manipulation, Pension Assumptions, and Managerial Investment Decisions *Quarterly Journal of Economics*, Volume 121, Number 1 February 2006: 157 – 195

*Bloom, R. and Cenker, W. J., 1999, Accounting for other postretirement benefits and pension costs at Ohio Edison, *Journal of Accounting Education*, Volume 17, Number 1 1999: 99 - 121

*Brown, Kerry A. and Gallery, Gerry T. and Gallery, Natalie 2002, Informed superannuation choice: constraints and policy resolutions *Economic Analysis and Policy* 32 1: 71-90

*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.

*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: 89-97.

Gallery, Natalie 2003, Are superannuation disclosures in company financial reports useful? *Australian Accounting Review* 13, 2: 60-73.

*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. <http://www.isu.govt.nz>

Hann, R. N., F. Heflin and R. Subramanayam, 2007, Fair-value pension accounting. *Journal of Accounting and Economics* vol. 44: 328 - 358

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, 175204.

*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 347355

Marriott, L. 2009, 'Power and Ideas: The development of retirement savings taxation in Australasia', Draft Working paper, VUW

*Ministry of Economic Development, 2004, Legislation Changes Affecting Superannuation and Relevant Case Law, <http://www.isu.govt.nz>

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.

*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 7: Public Sector

*Baskerville, R F and Bill Huckstep, 2009, The Financial Reporting Accountability of the Global Economic Multilaterals, paper to the 6th International Critical Management Studies Conference, Warwick, July 2009

*Baskerville, R F and Sonja Newby “Due Process Failure in Sector-Neutral Accounting Standard-setting” *Financial Accountability and Management* 2002, 18 1: 1 – 2.

Bolívar, Manuel Pedro Rodríguez and Andrés Navarro Galera, 2007, Could fair value accounting be useful, under NPM models, for users of financial information? *International Review of Administrative Sciences*, Volume 73, Number 3 September 2007: 473 – 502

Bradbury, M. and R. F. Baskerville, 2008, The ‘NZ’ in ‘NZ IFRS’: Public Benefit Entity Amendments, 2008, *Australian Accounting Review Forum*, No. 46 Vol. 18 Issue 3 pages 185 – 190.

Brown, Richard E. 2005, Enron/Andersen: Crisis in U. S. Accounting and Lessons for Government. *Public Budgeting and Finance*, Volume 25, Number 3: 20-32

Klumpes, P. 2001, Generational accountability of public sector management - A case study of the State Authorities Superannuation Board of New South Wales, *Accounting, Auditing & Accountability Journal*, Volume 14, Number 2 2001: 166 – 189

*Lapsley, I. Pallot, J., 2000, Accounting, management and organizational change: A comparative study of local government, *Management Accounting Research* Vol 11 part 2: 213-230

Week 8: Not for Profits

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.

Cordery, Carolyn J., Rachel F. Baskerville, and Brenda Porter, 2009, ‘They are a nonprofit because they make no profit’: constructing organisational orientation” paper submitted to the Academy of Management Conference, Chicago, August 2009

*Fisman, R., & Hubbard, R. G. 2005, Precautionary savings and the governance of nonprofit organisations. *Journal of Public Economics*, 89, 2231-2243.

James, E. 2004, Commercialism and the mission of nonprofits. In P. Frumkin & J. B. Imber Eds., *In search of the nonprofit sector* pp. 738-4, New Brunswick, N. J. : Transaction Publishers.

Leone, A. J., & Van Horn, R. L. 2005, How do nonprofit hospitals manage earnings? *Journal of Health Economics*, 24 4, 815-837. Additional references:

*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, 539.

*Sutton, David, C. J. Cordery, and R. Baskerville, 2008, "Paying the Price of Failure to Retain Legitimacy in a National Charity: The CORSO Story" draft journal paper submitted to *Accounting, Business, and Financial History*

Week 9: Convergence and translation issues

Evans, L. 2004, 'Language, translation and the problem of international accounting communication', *Accounting, Auditing and Accountability Journal*, 17, 2, 210 – 248.

Larson, Robert K., Donna L. Street, 2004, Convergence with IFRS in an expanding Europe: progress and obstacles identified by large accounting firms' survey, *Journal of International Accounting, Auditing and Taxation*, Volume 13, Number 2: 89 – 119

Nobes, C. 2006, The survival of international differences under IFRS: towards a research agenda, *Accounting & Business Research*, 36, 3: 233- 245

Riahi Belkaoui, A. and Picur, R. R. 1991, 'Cultural determinism and the perception of accounting concepts', *International Journal of Accounting*, 26 2, 118-30.

*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 129.

Week 10: Harmonisation and capital markets

Ball, R. 2006, 'International Financial Reporting Standards IFRS: pros and cons for investors', *Accounting and Business Research, International Accounting Forum*, 527.

*Dargenidou, Christina, Stuart McLeay, and Ivana Raonic, 2006, Expected earnings growth and the cost of capital: an analysis of accounting regime change in the European financial market *Abacus*, Volume 42, Number 3-4.

Daske, H. 2006, Economic Benefits of adopting IFRS or US-GAAP – have the expected cost of equity capital really decreased. *Journal of Business, Finance and Accounting* 33 3 & 4: 329 - 373

*Horton J. and Serafeim G., 2007 'Market Reaction and Valuation of IFRS Reconciliation Adjustments: First Evidence from the UK'. Draft seminar paper.

Schipper, K, 2005, The introduction of International Accounting Standards in Europe: Implications for international convergence. *European Accounting Review*, 14, 101-126.

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

Week 11: Comprehensive Income

*Biddle, G. and J. Choi, 2006 Is Comprehensive Income Useful?, *Journal of Contemporary Accounting and Economics*, June 2006, 132.

Cahan, S. F., S. M. Courtenay, P. L. Gronnewoller, D. R. Upton, 2000, Value Relevance of Mandated Comprehensive Income Disclosures, *Journal of Business Finance & Accounting*, Volume 27, Numbers 9-10, 1273

Chambers, Dennis, Thomas Linsmeier, Catherine Shakespeare, and Theodore Sougiannis, 2007, An evaluation of SFAS No. 130 comprehensive income disclosures *Review of Accounting Studies*, Volume 12, Number 4: 557 – 593

*Financial Statement Presentation Joint Project of the IASB and FASB, Web site <http://www.iasb.org>

Owusu-Ansah, Stephen and Joanna Yeoh, 2006, Relative Value Relevance of Alternative Accounting Treatments for Unrealized Gains: Implications for the IASB *Journal of International Financial Management and Accounting*, Volume 17, Number 3: 228 – 255

Pinto, Jo Ann 2005, How Comprehensive is Comprehensive Income? The Value Relevance of Foreign Currency Translation Adjustments *Journal of International Financial Management and Accounting*, Volume 16, Number 2 June 2005: 97 – 122

Tarca, A., Brown, P., Hancock, P., Woodliffe, D., Bradbury, M. and T. van Zijl, 2008, Identifying Decision Useful Information with the Matrix Format Income Statement, *Journal of International Financial Management & Accounting*, forthcoming, Vol 19, No 2: 36 -

Van Cauwenberge, Philippe, and Ignace De Beelde, 2007, On the IASB comprehensive income project: an analysis of the case for dual income display, *Abacus*, Volume 43, Number 1: 1 – 26

Week 12: Fair Value Measurement

*AAA, Fair Value Issues: AAA Financial Accounting Standards Committee, Response to the FASB's Exposure Draft on Fair Value Measurements, *Accounting Horizons*, September 2005, 187 - 196.

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,

Cairns, D., The Use of Fair Value in IFRS, *Accounting in Europe*, Vol 3, 2006, 522.

Gwilliam, D. and R. H. G. Jackson, 2008, Fair Value in financial reporting: problems and pitfalls in practice: a case study analysis of the use of fair valuation at Enron. *Accounting Forum* 32: 240 - 259

Herrmann, Don, Shahrokh M. Saudagaran, Wayne B. Thomas, 2006, The quality of fair value measures for property, plant, and equipment *Accounting Forum*, Volume 30, Number 1: 43 – 59

*Hitz, J., 2007, The Decision Usefulness of Fair value Accounting – A Theoretical Perspective, *European Accounting Review*, Vol 16, No. 2, 323-362.

*IASB, Fair Value Measurements, Discussion Paper; and Project Update: Web site <http://www.iasb.org>

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

Whittington Geoffrey 2008, Fair Value and the IASB/FASB Conceptual Framework Project: An Alternative View, *Abacus*, Volume 44, Number 2: 139 – 168

Materials and Equipment

A fee may be charged for course materials. Students will be advised accordingly.

Assessment Requirements

Assessment will be based on the following:

(a) Two presentations of assigned articles, with notations	15%
(b) One essay worth 25% - Synopsis due May 4 th	8%
Final version submitted electronically May 29 th	17%
(c) Final exam	60%

Assignments

Each student is required to make presentations on two assigned topics during the course. Students making presentations are to prepare a notation of the article(s) and deliver that hard copy to the lecturer by noon on the Monday, the day before the class. All students are expected to contribute to all class discussions.

The essay is due at midday on May 29th, 2009. Suggested length: 2, 000 words. Choose your own topic relevant to the themes of the course. You are welcome to discuss your choice of topic with the lecturer at an early opportunity. A synopsis of your essay topic with a list of at least eight readings pertaining to this topic must be emailed to the lecturer by May 4th, 2009.

Mandatory Course Requirements

Students must complete all items of assessment.

General University Policies and Statutes

Students should familiarise themselves with the University's policies and statutes, particularly those regarding assessment and course of study requirements, and formal academic grievance procedures.

Student Conduct and Staff Conduct

The Statute on Student Conduct together with the Policy on Staff Conduct ensure that members of the University community are able to work, learn, study and participate in the academic and social aspects of the University's life in an atmosphere of safety and respect. The Statute on Student Conduct contains information on what conduct is prohibited and what steps can be taken if there is a complaint. For queries about complaint procedures under the Statute on Student Conduct, contact the Facilitator and Disputes Advisor. This Statute is available in the Faculty Student Administration Office or on the website at: www.vuw.ac.nz/policy/StudentConduct.

The policy on Staff Conduct can be found on the VUW website at: www.vuw.ac.nz/policy/StaffConduct.

Academic Grievances

If you have any academic problems with your course you should talk to the tutor or lecturer concerned or, if you are not satisfied with the result of that meeting, see the Head of School or the Associate Dean (Students) of your Faculty. Class representatives are available to assist you with this process. If, after trying the above channels, you are still unsatisfied, formal grievance procedures can be invoked. These are set out in the Academic Grievances Policy which is published on the VUW website:

www.vuw.ac.nz/policy/AcademicGrievances.

Academic Integrity and Plagiarism

Academic integrity is about honesty – put simply it means **no cheating**. All members of the University community are responsible for upholding academic integrity, which means staff and students are expected to behave honestly, fairly and with respect for others at all times.

Plagiarism is a form of cheating which undermines academic integrity. The University defines plagiarism as follows:

The presentation of the work of another person or other persons as if it were one's own, whether intended or not. This includes published or unpublished work, material on the Internet and the work of other student or staff.

It is still plagiarism even if you re-structure the material or present it in your own style or words.

Note: It is however, perfectly acceptable to include the work of others as long as that is acknowledged by appropriate referencing.

Plagiarism is prohibited at Victoria and is not worth the risk. Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct and may be penalised severely. Consequences of being found guilty of plagiarism can include:

- an oral or written warning
- cancellation of your mark for an assessment or a fail grade for the course
- suspension from the course or the University.

Find out more about plagiarism, and how to avoid it, on the University's website at www.vuw.ac.nz/home/studying/plagiarism.html.

Notice of Turnitin Use

Student work provided for assessment in this course maybe checked for academic integrity by the electronic search engine <http://www.turnitin.com>.

Turnitin is an on-line plagiarism prevention tool which identifies material that may have been copied from other sources including the Internet, books, journals, periodicals or the work of other students. Turnitin is used to assist academic staff in detecting misreferencing, misquotation, and the inclusion of unattributed material, which maybe forms of cheating or plagiarism.

At the discretion of the Head of School, handwritten work maybe copy typed by the School and subject to checking by Turnitin. You are strongly advised to check with your tutor or the

course coordinator if you are uncertain about how to use and cite material from other sources. Turnitin will retain a copy of submitted materials on behalf of the University for detection of future plagiarism, but access to the full text of submissions will not be made available to any other party.

Students with Disabilities

The University has a policy of reasonable accommodation of the needs of students with disabilities. The policy aims to give students with disabilities an equal opportunity with all other students to demonstrate their abilities. If you have a disability, impairment or chronic medical condition (temporary, permanent or recurring) that may impact on your ability to participate, learn and/or achieve in lectures and tutorials or in meeting the course requirements, then please contact the Course Coordinator as early in the course as possible. Alternatively you may wish to approach a Student Adviser from Disability Support Services to confidentially discuss your individual needs and the options and support that are available. Disability Support Services are located on Level 1, Robert Stout Building, or phoning 463-6070, email: disability@vuw.ac.nz. The name of your School's Disability Liaison Person can be obtained from the Administrative Assistant or the School Prospectus.

Student Support

Staff at Victoria want students' learning experiences at the University to be positive. If your academic progress is causing you concern, please contact the relevant Course Co-ordinator, or Associate Dean who will either help you directly or put you in contact with someone who can.

The Student Services Group is also available to provide a variety of support and services.

VUWSA employs two Education Coordinators who deal with academic problems and provide support, advice and advocacy services, as well as organising class representatives and faculty delegates. The Education Office is located on the ground floor, Student Union Building, email education@vuwsa.org.nz.