



SCHOOL OF ACCOUNTING & COMMERCIAL LAW

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ACCY 412 CURRENT ISSUES IN FINANCIAL ACCOUNTING

Trimester One 2010

COURSE OUTLINE

Contact Details

Course Coordinator and Lecturer:

Dr Lisa Marriott

Office Telephone Email

RH 604 463-6107 Lisa.Marriott@vuw.ac.nz

Lecturer:

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

Class Times and Room Numbers

Thursday 1.40pm – 4.30pm

Railway Building RWW 129

Teaching Period: Monday 1st March – Friday 4th June 2010

Study Period: Monday 7th June – Thursday 10th June 2010

Examination Period: Friday 11th June – Wednesday 30th June 2010 (inclusive)

Withdrawal from Courses:

Withdrawal dates: Late withdrawals with Associate Dean (Students) permission
(See Section 8: Withdrawals - from the Personal Courses of Study Statute)

<http://policy.vuw.ac.nz/Amphora!~~policy.vuw.ac.nz~POLICY~000000001743.pdf>

Withdrawal dates: refunds:

<http://www.victoria.ac.nz/home/admisenrol/payments/withdrawalsrefunds.aspx>

Lecture Programme

A comprehensive list of readings and course topics will be provided on the first day of teaching.

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

Course Delivery

The course is made up of a combination of lectures, workshops and student presentations.

Expected Workload

The expected workload for ACCY 412 is around 180 hours over the trimester (approximately 12 hours per week over the 15 week period (12 teaching weeks, mid-trimester break, study week and examination period).

Examinations

Students who enrol in courses with examinations are obliged to attend an examination at the University at any time during the formal examination period.

The final examination for this course will be scheduled at some time during the period from

Examination Period: Friday 11^h June – Wednesday 30th June 2010

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:

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|--|-----|
| (a) Two presentations of assigned articles, one page handout | 15% |
| (b) One essay worth 25% - Synopsis due May 21 st (midday) | 4% |
| Final version submitted electronically June 4 th (midday) | 21% |
| (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 one page handout on the article and deliver that hard copy to the lecturer by noon on the Wednesday before the class. **All students are expected to contribute to all class discussions.**

The essay is due at midday on June 4th, 2010. 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 21st, 2010.

Penalties

In fairness to other students, work submitted after the deadline will be subject to a penalty of 5% of the total marks available per day of lateness. Assignments more than one week late will not be accepted. A “zero” mark will be applied. In the event of unusual, unforeseen circumstances (e.g., serious illness, family bereavement), students should discuss waiver of the penalty with the course controller prior to the deadline date.

Mandatory Course Requirements

Students must complete all items of assessment.

CLASS REPRESENTATIVE

The Honours Representative (selected at orientation) will act as the class representative for ACCY 412. That person’s name and contact details will be available to VUWSA, the Course Coordinator and the class. The class representative provides a communication channel to liaise with the Course Coordinator on behalf of students.

Communication of Additional Information

Additional information or information on changes will be conveyed to students via Blackboard.

For the following important information follow the links provided:

Academic Integrity and Plagiarism

<http://www.victoria.ac.nz/home/study/plagiarism.aspx>

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.

General University Policies and Statutes

<http://www.victoria.ac.nz/home/about/policy>

AVC (Academic) Website: information including: Conduct, Academic Grievances, Students with Impairments, Student Support

http://www.victoria.ac.nz/home/about_victoria/avcacademic/Publications.aspx

Faculty of Commerce and Administration Offices

<http://www.victoria.ac.nz/fca/studenthelp/>

Manaaki Pihipihinga Programme

http://www.victoria.ac.nz/st_services/mentoring/

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.

Readings

Week 1: Introduction and a starting point:

Marriott, Lisa, 2010, "The Science of Taxing the Arts" Institute for the Study of Competition and Regulation Working Paper, February 2010.

Ball, R., 2009, "Market and Political/Regulatory Perspectives on the Recent Accounting Scandals" *Journal of Accounting Research* Vol. 47 No. 2 pp. 277 - 323

Week 2: CEO, CFO and Analyst Incentives

Bergstressera, D. and T. Philippon 2006 "CEO incentives and earnings management" *Journal of Financial Economics* Vol. 80 pp. 511–529

Indjejikian, R and Matejka, M. 2009 "CFO Fiduciary Responsibilities and Annual Bonus Incentives" *Journal of Accounting Research* Vol. 47 No. 4 pp. 1061 - 1093

Baik, B., Farber, D. B. and Petroni, K. 2009 "Analysts' Incentives and Street Earnings" *Journal of Accounting Research* Vol. 47 No. 1 pp. 45 - 69

Grant, Julia, Markarian, Garen and Parbonetti, Antonio, 2009, "CEO Risk-Related Incentives and Income Smoothing" *Contemporary Accounting Research* Vol. 26 Issue 4, pp. 1029-1065 Class copy downloaded from SSRN: <http://ssrn.com/abstract=1106096>

Week 3: Debt Contacts and Conservatism

Gigler, F., Kanodia, C., Sapa, H and Venugopalan, R., 2009, "Accounting Conservatism and the Efficiency of Debt Contracts" *Journal of Accounting Research* Vol. 47 No. 3 pp. 767 - 797

Wang, Richard Zhe, Ó Hogartaigh, Ciaran and Van Zijl, Tony, 2009, "A Signaling Theory of Accounting Conservatism" Available at SSRN: <http://ssrn.com/abstract=1415305>

Iyengar, R. J., and Ernest M. Zampelli, 2010, "Does accounting conservatism pay?" *Accounting and Finance* Vol. 50 pp. 121-142

Nikolaev, V. V. 2010 "Debt Covenants and Accounting Conservatism" *Journal of Accounting Research* Vol. 48 No. 1 pp. 137 - 175

Week 4: Earnings Management

Christensen, H. B., Lee, E., and Walker, M., 2009, “Do IFRS Reconciliations Convey Information? The Effect of Debt Contracting” *Journal of Accounting Research* Vol. 47 No. 5, pp. 1167 - 1199

Durtschi, C., and Easton, P., 2009, “Earnings Management? Erroneous Inferences Based on Earnings Frequency Distributions” *Journal of Accounting Research* Vol. 47 No. 5 pp. 1249 - 1281

Keung, E., Lin, Zhi-Xing, and Shih, M., 2010, “Does the Stock Market See a Zero or Small Positive Earnings Surprise as a Red Flag?” *Journal of Accounting Research* Vol. 48 No. 1 pp. 105 - 135

Tarca, A., Brown, P. R., Hancock, P., Woodliff, D. R., Bradbury, M., and van Zijl, T., 2007, “The Matrix Format Income Statement: A Case Study about Earnings Management and Reporting Financial Performance” *Issues in Accounting Education* Vol. 22 No. 4 pp. 607 - 623

Week 5: Restatements

Hennes, Karen, M., Andrew J Leone, and Brian P Miller, 2008 “The Importance of Distinguishing Errors from Irregularities in Restatement Research: The Case of Restatements and CEO/CFO Turnover” *The Accounting Review* Vol. 83, Iss. 6 pp. 1487 – 1519

Durnev, A and Mangen, C., 2009 “Corporate Investments: Learning from Restatements” *Journal of Accounting Research* Vol. 47 No. 3 pp. 679 - 720

Files, Rebecca., Edward P Swanson, and Senyo Tse, 2009, “Stealth Disclosure of Accounting Restatements” *The Accounting Review* Vol. 84, No. 5 pp. 1495 – 1520

Donelson, Dain C., John M. McInnis and Richard Mergenthaler Jr., 2010, “Benchmark-Beating and Earnings Management: Evidence from Restatements Related to Securities Litigation” AAA 2010 Financial Accounting and Reporting Section Paper, Available at SSRN: <http://ssrn.com/abstract=1465029>

Week 6: Depreciation

Holland, K. Rhys, H. and Tippett, M., 1998, “Capital theory and depreciation” *British Accounting Review* Vol 30, 1, pages 39-72

Jackson, Scott B., 2008, “The Effect of Firms' Depreciation Method Choice on Managers' Capital Investment decisions” *The Accounting Review* Vol. 83, No. 2, pp. 351 – 376

Rajan, M. V and Reichelstein, S., 2009, “Depreciation Rules and the Relation between Marginal and Historical Cost” *Journal of Accounting Research* Vol. 47 No. 3, pp. 823 - 865

Kang, Sok-Hyon and Yuping Zhao, 2010, “Information Content and Value Relevance of Depreciation: A Cross-Industry Analysis” *The Accounting Review* Vol. 85, No. 1 pp. 227–260

Week 7 & 8: Accounting for Small and Medium Sized Entities

Baskerville, Rachel. 2003. Hofstede never studied culture. *Accounting, Organizations and Society*, 28, 1-14.

Tyrrall, David, Woodward, David, and Almagoul Rakhimbekova. 2007. The relevance of International Financial Reporting Standards to a developing country: Evidence from Kazakhstan. 42, 82-110.

Pactor, Paul. 2008. An IFRS for Private Entities. *International Journal of Disclosure and Governance*, 6, 1, 4-20.

**World Bank Report. 2008. Report on the Observance of Standards and Codes (ROSC) Mongolia. March 10 2008.

**International Federation of Accountants. 2008. Micro-Entity Financial Reporting: Some empirical evidence on the perspectives of preparers and users. Information Paper January 2008.

**Relevant Standards for Small and Medium-Sized Enterprises (SMEs): The case for the South Pacific Region. IAAER 10th World Congress of Accounting Educators, 9 – 11 November 2006, Istanbul.

Holmes, Scott, and Des Nicholls. 1989. Modelling the Accounting Information Requirements of Small Businesses. *Accounting and Business Research*, 19, 74, 143-150.

Maingot, Michael and Zeghal, Daniel. 2006. Financial Reporting of Small Business Entities in Canada. *Journal of Small Business Management*, 44, 4, 513-530.

Collis, Jill and Jarvis, Robin. 2002. Financial Information and the Management of Small Private Companies. *Journal of Small Business and Enterprise Development*, 9, 2, 100-110.

**Hall, Graham and Young, Barbara. Factors Associated with Insolvency Amongst Small Firms. *International Small Business Journal*, 9, 2, 54-63.

**Friedlob, G.T., and F.J. Plewa. 1992. Cost Effective Financial Reporting for Small Business. *Journal of Small Business Management*, 30, 1, 89-94.

Week 9: Corporate, Social and Environmental Reporting

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

**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

**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

Weeks 10 & 11: Post-Employment Benefits: Pensions accounting and superannuation issues

Marriott, Lisa. The Taxation of Retirement Savings: a trans-Tasman perspective, *The Melbourne Review*, 4, 2, (2008), pp.67-72. **Introductory Reading Only

**Marriott, Lisa. The Politics of Superannuation in Australasia: Saving the New Zealand standard of living, *Australian Journal of Political Science*, 44, 3, (2009), pp.477-495.

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>

**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

**Government Actuary, 2009, Report of the Government Actuary for the Year Ended 30 June 2009, Presented to the House of Representatives pursuant to Section 28 of the Superannuation Schemes Act 1989. <http://www.isu.govt.nz>

Graham, Cameron. 2010. Accounting and the Construction of the Retired Person. *Accounting, Organizations and Society*, 35, 23 – 46.

Graham, Cameron. 2008. Fearful Asymmetry: The consumption of accounting signs in the Algoma Steel pension bailout, 33, 756-782.

Gallery, G., and Natalie Gallery, 2004, Applying Conceptual Framework Principles to Superannuation Fund Accounting *Abacus* 40 1, 117–131

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

**Gallery, G., and Natalie Gallery, 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.

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

**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

Week 12: Public Sector

Controller and Auditor-General. 2009. The Auditor-General's views on setting financial reporting standards for the public sector. Discussion Paper, June 2009.

Ministry of Economic Development. 2009. The Statutory Framework for Financial Reporting. Discussion Document, September 2009. **Available online

**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 – 23.

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

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

**Challen, Don, and Craig Jeffery. 2003. Harmonisation of Government Finance Statistics and Generally Accepted Accounting Principles. *Australian Accounting Review*, 13, 2, 48-53.

**Guthrie, J., Parker, L., and L M English. 2003. A Review of New Public Financial Management Change in Australia. *Australian Accounting Review*, 13, 2, 3-9.

Marking guide for presentations in ACCY 412

2010

Name

Date

Authors

Possible marks

		Paper one	paper two
10	Provision of handout to lecturer by deadline		
10	Presentation		
	Interesting opening		
	Clear indication of research questions		
	Indication of authors - who , where, when		
	Where did they get their data?		
25	Synopsis		
	What was the central question		
	What answer did they provide		
	So what?		
	Why is this important?		
20	Critique		
	What methodology did they use to answer that question?		
	Any other way which might have been better		
	Clear narrative explanation of statistical data		
	Tables and charts well linked in to narrative		
5	Contribution		
	What does this add to theory - and will it change how people see the world? Or what does it add to practice		
	What remains unresolved? Limitations?		
	What research questions are still to be followed up?		
10	Linkage		
	to other papers in this years ACCY 412 to date		
3	Closure to presentation		
15	Active engagement with the class		
2	Kept to time		
100			