

School of Accounting and Commercial Law

ACCY 412 CURRENT ISSUES IN FINANCIAL ACCOUNTING

Trimester 1, 2016

COURSE OUTLINE

Prescription

A critical examination of policy issues related to accounting professionalism, the determination of a body of knowledge, and the scope and control of financial reporting practices.

Course Learning Objectives

By the end of the course students should:

- Understand current financial accounting issues and be able to critically evaluate current practices and propose alternative treatments;
- Be able to explain the relevance and implications of financial accounting based on identified frameworks and accounting theory;
- Understand the standard setting process and standard accounting practices, including international issues;
- Appreciate the shortcomings of and alternatives to established financial performance measures;
- Be able to understand current issues impacting on the audit profession; and
- Demonstrate improvement in communication skills, both written and spoken, in their class involvement.

Course Content

This course aims to achieve the above objectives by critical examination of current issues relevant to the role of financial accounting and reporting. This is not a simple examination of issues in IFRS adoption for financial accounting or standard-setters' and regulators' current work plans, but a review of the economic and political situation within which those regulating and supporting the efficient operation of capital markets go about their business. The course also considers the manner in which research can assess and inform such activities in financial reporting and it is grounded firmly in the knowledge derived from research.

Trimester Dates

Teaching Period: Monday 29th February – Friday 3rd June

Study Period: Monday 6th June – Thursday 9th June

Examination Period: Friday 10th June – Wednesday 29th June (inclusive)

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before Friday 11th March 2016.

2. The standard last date for withdrawal from this course is Friday 13th May 2016. After this date, students forced to withdraw by circumstances beyond their control must apply for permission on an ‘*Application for Associate Dean’s Permission to Withdraw Late*’ including supporting documentation. The application form is available from either of the Faculty’s Student Customer Service Desks or [online](#).

Names and Contact Details

| | | | |
|--|---|--------|----------------------|
| <i>Course Coordinator & Lecturer</i> | Dr Noor Houqe noor.houqe@vuw.ac.nz Office Hours: TBA | RH 715 | 463 6591 |
| <i>Lecturer</i> | Dr Thu Phuong Truong thuphuong.truong@vuw.ac.nz Office Hours: TBA | RH 615 | 463 5233 (ext. 8961) |
| <i>Course Administrator</i> | Rachel Qi rachel.qi@vuw.ac.nz Office hours: Monday-Friday, 8.30am-5pm (Note: Office closed 10.30am-10.45am and 3.30pm-3.45pm) | RH 708 | 463 7465 |

Class Times and Room Numbers

Tuesday 9:30am – 12:20pm in Railway West Wing RWW221

Course Delivery

The course is made up of a combination of lectures, workshops and student presentations. Students are asked not to use any electronic equipment in class except with the express permission of the lecturer that week. It is important all students appreciate that the dialogue involves all class members.

Readings

A list of readings and course topics is part of this Outline. All students are required to send to Dr Noor Houqe or Dr Thu Phuong Truong a PDF copy of the paper they have taken responsibility to present in class (this should be done four days before), so that it can be uploaded onto Blackboard if other students wish to download the paper. Copies of a handout should be provided at all presentations.

Mandatory course requirements

In addition to achieving an overall pass mark of at least 50%, students must complete this course with a fair attempt at all items of assessment except where non-completion is supported by a Doctor’s certificate or similar.

If you believe that exceptional circumstances may prevent you from meeting the mandatory course requirements, contact the Course Coordinator for advice as soon as possible.

If you cannot complete an assignment or sit a test or examination, refer to www.victoria.ac.nz/home/study/exams-and-assessments/aegrotat

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).

Assessment

The Assessment Handbook will apply to all VUW courses: see <http://www.victoria.ac.nz/documents/policy/staff-policy/assessment-handbook.pdf>.

In particular, there is a new grade scheme, in which the A+ range is 90-100% and 50-54% is a C-.

Assessment will be based on the following (see Schedule on pages 5 – 6):

- a) Class presentations and critiques, 30%¹
- b) Project, 30%²
- c) Final examination, 40%

Marking guide for presentation in ACCY 412

This will be provided to the class. It will include assessment of the presentation offering

1. Overview of the study
2. Research question; how else could this question have been answered?
3. Motivation and contribution
4. Literature review
5. Theoretical framework and hypotheses
6. Research design including the sample, variables, and method of analysis
7. Results; what does it contribute to practice?
8. Conclusion, limitations, future research

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 following period:

Friday 10th June – Wednesday 29th June (inclusive)

Penalties

In the event of unusual, unforeseen circumstances (e.g., serious illness, family bereavement), causing absence from a class meeting students should discuss the waiver of any penalty with the Course Coordinator as soon as possible after the event. Doctor's certificate or similar evidence should be provided.

Use of Turnitin

Student work provided for assessment in this course may be checked for academic integrity by the electronic search engine <http://www.turnitin.com>. Turnitin is an on-line plagiarism prevention tool which compares submitted work with a very large database of existing material. At the discretion of the Head of School, handwritten work may be copy-typed by the School and submitted to Turnitin. A copy of submitted materials will be retained 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.

Materials and Equipment

¹ Each student will present on three papers during the semester, for up to 45 minutes.

² Information about the project requirements will be distributed in Week 1.

A fee may be charged for course materials although this is highly unlikely.

Student feedback

Student feedback on University courses may be found at www.cad.vuw.ac.nz/feedback/feedback_display.php.

Class Representative

A class representative will be elected in the first class, and that person's name and contact details made 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.

Link to general information

For general information about course-related matters, go to <http://www.victoria.ac.nz/vbs/studenthelp/general-course-information>

Note to Students

Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning objectives as required for accreditation and academic audit. The findings may be used to inform changes aimed at improving the quality of VBS programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.

ACCY 412 Course Content

| Week | Schedule | Assessment | Learning objectives relevant to the assessment |
|--|--|--|---|
| Week 1 Mar 01 NH | Issues in financial accounting research | | |
| Week 2 Mar 08 NH | IFRS adoption and international accounting | Presentation on an article and leading discussion for up to 45 minutes | Class involvement, spoken communication skills, evaluation of a research article (methods, findings strengths, weaknesses re methods) |
| Week 3 Mar 15 TPT | Corporate governance | Presentation on an article and leading discussion for up to 45 minutes | Class involvement, spoken communication skills, evaluation of a research article (methods, findings strengths, weaknesses re methods) |
| Week 4 Mar 22 TPT | Corporate disclosure | Presentation on an article and leading discussion for up to 45 minutes | Class involvement, spoken communication skills, evaluation of a research article (methods, findings strengths, weaknesses re methods) |
| Week 5 Mar 29 TPT | Easter Break | | |
| Week 6 April 05 TPT | Corporate regulation | Presentation on an article and leading discussion for up to 45 minutes | Class involvement, spoken communication skills, evaluation of a research article (methods, findings strengths, weaknesses re methods) |
| Week 7 April 12 TPT | Accounting conservatism | Presentation on an article and leading discussion for up to 45 minutes | Class involvement, spoken communication skills, evaluation of a research article (methods, findings strengths, weaknesses re methods) |
| Week 8 April 19 TPT | Management compensation | Presentation on an article and leading discussion for up to 45 minutes | Class involvement, spoken communication skills, evaluation of a research article (methods, findings strengths, weaknesses re methods) |
| Mid-trimester break (April 25-29) | | | |
| Week 9 May 3 TPT | Methodological issues in capital market research | Presentation on an article and leading discussion for up to 45 minutes | Class involvement, spoken communication skills, evaluation of a research article (methods, findings strengths, weaknesses re methods) |
| Week 10 May 10 NH | Earnings Quality | Presentation on an article and leading discussion for up to 45 minutes | Class involvement, spoken communication skills, evaluation of a research article (methods, findings strengths, weaknesses re methods) |

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| Week 11 May 17 NH | Accounting information and share price | Presentation on an article and leading discussion for up to 45 minutes | Class involvement, spoken communication skills, evaluation of a research article (methods, findings strengths, weaknesses re methods) |
| Week 12 Mar 24 NH | Auditing | Presentation on an article and leading discussion for up to 45 minutes | Class involvement, spoken communication skills, evaluation of a research article (methods, findings strengths, weaknesses re methods) |
| Week 13 Mar 31 NH | Corporate Social Responsibility | Presentation on an article and leading discussion for up to 45 minutes | Class involvement, spoken communication skills, evaluation of a research article (methods, findings strengths, weaknesses re methods) |
| Week 14 June 10 | Project | | The overview of the project, research question, motivation and contribution, literature review, conceptual model and hypotheses, research design including the sample, variables and methods of analysis, results and conclusions |
| | Comprehensive final examination | | Reflection and critical analysis, synthesis, applying understanding of strengths and weaknesses of different research methods, written communication ability |

Programme and Readings

Week 1: Introduction to the Course and Issues in financial accounting research, Dr Noor Houqe

- ▶ Presentation guidelines
- ▶ Assessment issues
- ▶ Core readings for weeks 2 and 10-13

1. Beyer, A., Cohen, D. Lys, T., & Walther, B. 2010. The Financial Reporting Environment: Review of the Recent Literature. *Journal of Accounting & Economics*, Vol. 30, p 296-343.

Week 2: IFRS adoption and international accounting

1. Brochet, F., Jagolinzer, A. D., & Riedl, E. J. (2013). Mandatory IFRS Adoption and Financial Statement Comparability. *Contemporary Accounting Research*, Vol. 30 Issue 4, p1373-1400.
2. Horton, J., Serafeim, G., & Ioanna S. (2013). Does Mandatory IFRS Adoption Improve the Information Environment? *Contemporary Accounting Research*, Vol. 30 Issue 1, p 388-423.

Week 3: Corporate governance

1. P. Ilieva, K. V. Lins, D. P. Miller and L. Roth, 2015, Shareholder voting and corporate governance around the world, *The Review of Financial Studies*, Vol. 28, pp. 2167-2202.
2. C. S. Armstrong, J. L. Blouin, A. D. Jagolinzer and D. F. Larcker, 2015, Corporate governance, incentives, and tax avoidance, *Journal of Accounting and Economics*, Vol. 60, pp. 1-17.

Week 4: Corporate disclosure

1. A. Ali, S. Klasa and E. Yeung, 2014, Industry concentration and corporate disclosure policy, *Journal of Accounting and Economics*, Vol. 58, pp. 240-264.
2. S. V. Brown, X. S. Tian and J. W. Tucker, 2014, The spillover effect of SEC comment letters on qualitative corporate disclosure: Evidence from the risk factor disclosure, *Working Paper*, SSRN.

Week 6: Corporate regulation

1. P. Naranjo, D. Saavedra and R. Verdi, 2015, Financial reporting regulation and financial decisions, *Working Paper*, SSRN.
2. A. Amel-Zadeh, M. E. Barth and W. R. Landsman, 2015, The contribution of bank regulation and fair value accounting to procyclical leverage, *Working Paper*, SSRN.

Week 7: Accounting conservatism

1. J. Kim and L. Zhang, 2015, Accounting conservatism and stock price crash risk: Firm-level evidence, *Contemporary Accounting Research*, forthcoming.
2. J. M. G. Lara, B. G. Osma and F. Penalva, 2015, Accounting conservatism and firm investment efficiency, *Journal of Accounting and Economics*, forthcoming.

Week 8: Management compensation

1. J. Hitz and S. Müller-Block, 2015, Market reactions to the regulation of executive compensation, *European Accounting Review*, Vol. 24, pp. 659-684.
2. D. J. Denis and J. Xu, 2013, Insider trading restrictions and top executive compensation, *Journal of Accounting and Economics*, Vol. 56, pp. 91-112.

Week 9: Methodological issues in capital market research

1. K. T. A. Hoang, R. Faff and M. Haq, 2014, Market discipline and bank risk taking, *Australian Journal of Management*, Vol. 39, pp. 327-350.
2. L. Starks and K. D. Wei, 2013, Cross-border mergers and differences in corporate governance, *International Review of Finance*, Vol. 13, pp. 265-297.

Week 10: Earnings quality

1. Zang, A. (2012). Evidence on the trade-off between real activities manipulation and accrual-based earnings management. *The Accounting Review*, Vol. 87, p 675-703.
2. Dichev, I. D. Graham, J. R. Harvey, Campbell, R., & Rajgopal, S. (2013). Earnings quality: Evidence from the field. *Journal of Accounting & Economics*, Vol. 56, p1-33.

Week 11: Accounting information and share price

1. Nichols, D. C., & Wahlen, J. M. (2004). How Earnings Numbers Relate Do to Stock Returns? A Review of Classic Accounting Research with Updated Evidence. *Accounting Horizons*, Vol.18, Issue 4, p263-286.
2. Ball, R. & Brown, P. (1968). An Empirical Evaluation of Accounting Income Numbers. *Journal of Accounting Research*, Vol. 6, No. 2, p 59-178.

Week 12: Auditing

1. Lennox, C., & Li, B. (2012). The consequences of protecting audit partners' personal assets from the threat of liability. *Journal of Accounting & Economics*, Vol. 54, p 154-173.
2. Guedhami, O., Pittman, J. A., & Saffar, W. (2009). Auditor choice in privatized firms: Empirical evidence on the role of state and foreign owners. *Journal of Accounting & Economics*, Vol. 48, p 151-171.

Week 13: Corporate Social Responsibility

1. El Ghoul, S., Guedhami, O., Kwok, C.C. Y., & Mishra, D. R. (2011). Does corporate social responsibility affect the cost of capital? *Journal of Banking and Finance*, 35(9): 2388–2406.
2. Goss, A., & Roberts, G.S. (2011). The impact of corporate social responsibility on the cost of bank loans. *Journal of Banking and Finance*, 35(7): 1794–1810.
