



UNIVERSITY OF NEW SOUTH WALES
SCHOOL OF ACCOUNTING

ACCT3573:
ISSUES IN FINANCIAL REPORTING & ANALYSIS (HONOURS)
COURSE OUTLINE - SESSION 1 – 2008

COORDINATOR:

Associate Professor Richard Morris

Location: Room 3064
3rd Floor Quadrangle Building (West Wing)

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CLASS CONTACT TIMES:

Lectures: Monday, Tuesday or Wednesday
(Combined with Pass course - ACCT3563)

Stream 1

Stream 2

Tutorial: Tuesday 11-12 noon

Wednesday 12-1.00pm

Seminar: Tuesday 12-1.00pm

Wednesday 1.00-2.00pm

Location: Quad 1045

Mat Sc G10

CONSULTATION:

Monday 3-4pm; Tuesday 3-4pm; Wednesday 3-4pm;

PREREQUISITES:

To take this course you must have received an invitation from the School's Honours Studies Director or permission from Richard Morris.

Note: this Course Outline supplements but does not replace the outline for ACCT3563 Issues in Financial Reporting and Analysis (the 'Pass' course). In particular, all examination dates for ACCT 3573 are the same as for ACCT 3563.

1. Nature of the Course

This course is an introduction to financial accounting research. While your previous studies in financial accounting (e.g. ACCT 2542 - Corporate Financial Reporting & Analysis) primarily focused on the practical applications of accounting by single and group entities, ACCT 3573 focuses on the foundations of research in financial accounting. The course will teach you (a) the foundations of scientific research; (b) an introduction to some of the main types of research in financial accounting; and (c) an application of that research in the form of carefully guided data collection and statistical analysis in a straight-forward research project. The course will be of benefit to those who may be required to undertake research in accounting and finance related positions in the private or public sector. The course also provides a very useful foundation for further studies in financial accounting theory and research, especially the fourth year honours subject ACCT 4851.

2. Course Objectives

The specific objectives of this course are to teach you:

- (1) Some foundations of empirical research in financial accounting;
- (2) Positive accounting theory in more depth than is covered in ACCT 3563;
- (3) An introduction to the impact of accounting information on share prices;
- (4) An introduction to behavioural research in financial accounting
- (5) An introduction to using SPSS for data analysis, especially multiple regression and ANOVA
- (6) Hands-on experience at data collection from companies' annual reports.

Upon successful completion of the course, you will be able to:

- (1) Demonstrate some understanding of basic scientific method in investigating accounting issues;
- (2) Explain the incentives for the adoption of alternative accounting policies and the effects of these policy choices on capital markets and decision-makers; and,
- (3) Apply basic accounting research methods to investigate some financial accounting issues.

3. Linkage with ACCT3563 IFRA

This course is integrated with ACCT3563 *Issues in Financial Reporting and Analysis* (the 'Pass' course) in that you will cover the same lecture and tutorial material as in ACCT3563. However, the additional material covered in ACCT3573 extends and supplements the ACCT3563 material and will provide you with a broader understanding of issues covered in the Pass course. **All honours work will be covered in the weekly seminars.** A higher level of effort and commitment is required to satisfactorily complete the additional work. Given the more research-oriented nature of ACCT 3573, the teaching method, readings and assessment will differ in a number of important ways (as outlined below).

4. Student Requirements & Learning Approach

- You will be required to attend the ACCT3563 lectures and tutorials (two have been specifically allocated to ACCT3573 students) and complete the class work assigned to

the 'Pass' students. (See the ACCT3563 Course Outline and Tutorial Programme for details).

- In addition, you will be required to attend a one-hour weekly seminar which will follow the tutorial. This class will cover the additional material assigned to ACCT3573 students. You will be expected to have completed the assigned honours readings **prior** to attending these classes.
- The general format of honours seminars will involve a week on a particular approach to accounting research followed by one or two papers (one paper per week) which are relatively straight forward applications of the research technique to selected accounting issues.
- There is a special Assignment for honours students which replaces the Assignment set in ACCT 3563

5. Assessment

Assessment methods and assessment item marks are as follows:

(a)	Mid-session test (<i>in Week 7, same as ACCT 3563.</i>)	25%
(b)	Final Examination (<i>3 hours</i>)	50%
(c)	Honours Research Project	25%
		100%

The midsession test will be exactly the same as for ACCT3563. No honours readings will be examined in the midsession test. The final examination will be the same as for ACCT 3563 except that there will be one special question for honours students which covers the honours readings. The Honours Research project replaces the ACCT 3563 Individual Assignment. Further details are outlined below.

Honours Research Project

The objective of the project is to apply basic accounting research methods to investigate the determinants of disclosure in several Asian countries. Further details will be provided later. From past experience, the report often provides excellent evidence of your research skills that can be presented to prospective employers when applying for jobs.

The project will be submitted in two stages:

Part A (12.5 marks) due 5.00pm Friday in week 9

Part B (12.5 marks) due in the honours seminar in week 11

6. Student Resources

Required Readings (for the Honours Seminars):

There is no special textbook for the honours seminar. Readings are drawn from various academic journals and from textbook chapters. Textbook chapters will be handed out a week in advance throughout the semester. Students must download readings from academic journals themselves from the UNSW library website. All papers set from

journals are available electronically from the UNSW library. You might find some of the accounting theory textbooks (shown below) useful in certain areas of the course.

Useful References:

- Beaver, W.H., *Financial Reporting: An Accounting Revolution*, 3rd ed., New Jersey: Prentice Hall, 1998.
- Belkaoui, A. and Jones, S., *Accounting Theory*, First Australian Edition, Harcourt Brace Australia, 1996.
- Brown, P., *Capital Markets-Based Research in Accounting: An Introduction*, Coopers and Lybrand Accounting Research Monograph No. 1, Melbourne: Coopers and Lybrand and AAANZ, 1994.
- Deegan, C., *Financial Accounting Theory* 2nd ed, McGraw-Hill Australia, 2006.
- Godfrey, J., Hodgson, A. and Holmes, S., *Accounting Theory*, 5th ed., John Wiley and Sons Australia, 2003.
- Henderson, S., Peirson, G., and Harris, K., *Financial Accounting Theory*, Prentice Hall Australia, 2004.
- Jones, S., Romano, C. and Ratnatunga, J., *Accounting Theory: a contemporary review*, Harcourt Brace, 1995.
- Mathews, R. M. And Perera, M.H.B., *Accounting Theory and Development*, 3rd ed., Melbourne: Nelson, 1996.
- Palepu, K.G., Bernard, V.L., and Healy, P.M., *Business Analysis and Valuation Using Financial Statements*, 2nd ed., Thomson South-Western, Ohio, 2004.
- Penman, S.H., *Financial Statement Analysis and Security Valuation*, McGraw Hill, 2001.
- Scott, W. R., *Financial Accounting Theory*, 3rd ed. Upper Saddle River, NJ: Prentice Hall, 2003.
- White, G.I., Sondhi, A.C., and Fried, D., *The Analysis and Use of Financial Statements*, 3rd ed., New York: John Wiley and Sons, 2003.

Other Reference Material

In addition to the above references, a range of academic and professional accounting journals are available through the Library providing useful reference material for the research project and other requirements of this course.

The following text is a very useful guide when preparing assignments and reports:

- Cotesta, P. V., Crosling, G. M. and Murphy, H. M., *Writing for Accounting Students*, Butterworths Australia, 1998.

7. Further Information

Other important information relating to this course is covered in the ACCT3563 course outline. In particular, please read the information on **academic misconduct (including plagiarism)**, **examination procedures**, and **study recommendations**.

SEMINAR SCHEDULE		
Week	TOPIC	REQUIRED READINGS
1	Research Fundamentals in Accounting <ul style="list-style-type: none"> • Scientific method • Causality • Hypothesis formation • Hypothesis testing – experimental designs • Causality vs correlation 	Seminar notes (on WebCT Vista)
2	Information Asymmetry, Agency Theory and Accounting Policy Choice <u>Application 1</u> : Bonus schemes and accounting choices	P. Healy “The effect of bonus schemes on accounting decisions” <i>Journal of Accounting & Economics</i> Vol. 7 (1985) pp. 85-102 and 106-07. Omit section 7 of the paper
3	Information Asymmetry, Agency Theory and Accounting Policy Choice <u>Application 2</u> : Conservatism in financial reporting	R. Watts “Conservatism in Accounting Part 1: Explanations and Implications” <i>Accounting Horizons</i> 17 (3) September 2003 pp 207-221.
4	Asymmetry, Agency Theory and Accounting Policy Choice <u>Application 3</u> : Determinants of disclosure	G. Meek, C. Roberts and S. Gray “Factors Influencing Voluntary Annual Report Disclosures by US, UK and Continental European Multinational Corporations” <i>Journal of International Business Studies</i> 26 (3) 1995, pp. 555-572.
5	Information Asymmetry, Agency Theory and Accounting Policy Choice <u>Application 3</u> : Determinants of disclosure (continued)	Jaggi and Lowe “Impact of Culture, Market Forces and Legal System on Financial Disclosures” <i>International Journal of Accounting</i> 35 (4) 2000, pp.495-519.
6	Earnings Management & Accounting Quality The kinky earnings phenomenon	Burgstahler and Dichev “Earnings management to avoid earnings decreases and losses” <i>Journal of Accounting & Economics</i> 24 (1) December pp 99-126. Omit section 3 of paper (pp 112-120).

7	Special class on using SPSS: to help with your honours project – you will be shown how to run multiple regression using SPSS and how to interpret the output	Andy Field <i>Discovering Statistics Using SPSS</i> 2 nd ed 2005, chapter 5 (extracts) handed out in week 6
8	Accounting Information and Share Prices <ul style="list-style-type: none"> • How is the market response measured? • Ball and Brown (1968) • Earnings response coefficients 	WR Scott <i>Financial Accounting Theory</i> 3 rd ed (2003) Ch.5 “The information perspective on decision usefulness” (handed out)
9	Accounting Information and Share prices: Application # 1 A replication of Ball and Brown (1968) using recent data (Special guest: Professor Philip Brown) Hand-in honours project part A by 5.00pm Friday 16 May	D.C. Nichols and J.M. Wahlen “How Do Earnings Numbers Relate to Stock Returns? A Review of Classic Accounting Research with Updated Evidence” <i>Accounting Horizons</i> 18 (4) December 2004 pp263-286
10	An Introduction to Behavioural Research in Accounting and ANOVA	Craig Deegan <i>Financial Accounting Theory</i> 2006 chapter 11 on behavioural research (extracts handed out) Andy Field <i>Discovering Statistics Using SPSS</i> 2 nd ed 2005, chapter 10 (extracts)
11	Behavioural research: application - Leases Hand-in honours project part B in class	Wilkins and Zimmer “The effect of leases and different methods of accounting for leases on credit evaluations” <i>The Accounting Review</i> 58 (4) October 1983 pp. 749-764. Hand-out of mock-up data for Wilkins & Zimmer’s study (we will analyse this in class using SPSS)
12	Feedback on group project: a discussion of the statistical results and return of your project marks	No set reading