

M: Course Objectives / Learning Outcomes

At the end of the course, the successful student should be able to:

1. describe various theories that underlie financial accounting and reporting;
2. explain the impact of the current system of financial accounting and reporting;
3. explain the impact of financial accounting and reporting on securities markets;
4. explain game and agency theory and their implications for accounting;
5. explain the criteria, and the economic and political issues involved in the standard setting process;
6. demonstrate awareness of ethical and professional standards and responsibilities of financial management professionals.

N: Course Content:

1. Accounting under ideal conditions: present value model, reserve recognition accounting, historical cost accounting.
2. Decision usefulness approach to financial reporting: single person decision theory, rational, risk averse investor, portfolio diversification, optimal investment decisions, portfolio risk.
3. Efficient securities markets and their implications for financial reporting: informativeness of price, capital asset pricing model, information asymmetry.
4. Information perspective on decision usefulness: market response, earnings response coefficients, unusual, non-recurring and extraordinary items.
5. Measurement perspective on decision usefulness: theories relating to the efficiency of securities markets.
6. Measurement perspective applications: traditional reporting, fair-value-oriented standards, financial instruments, accounting for intangibles, reporting on risk.
7. Economic consequences: employee stock options, government assistance, successful-efforts accounting, positive accounting theory (PAT).
8. Analysis of conflict: game theory (non-cooperative and cooperative), agency theory.
9. Executive compensation: theory, incentives, compensation plans, role of risk, politics.
10. Earnings management: motivations, patterns, “good” and “bad” side of earnings management.
11. Standard setting – economic issues: private incentives for information production, sources of market failure, regulation of economic activity and decentralization regulation.
12. Standard setting – political issues: public interest and interest group theories; standard setting in Canada and the U.S., International Accounting Standards Boards (IASB), conflict and compromise, criteria for standard setting.

O: Methods of Instruction

Lectures and group discussions.

P: Textbooks and Materials to be Purchased by Students

Required: William R. Scott. *Financial Accounting Theory*, latest Canadian edition. Prentice-Hall, Toronto.
Optional: Schroeder, Clark and Cathey, *Financial Accounting Theory and Analysis: text readings and cases*, latest edition. John Wiley & Sons Inc.

Instructor compiled materials (if applicable)

Any one of the following calculators:

1. Texas Instruments BA II Plus
2. Sharp EL 733A
3. Hewlett Packard 10B

Q: Means of Assessment

Assignments/projects/cases/tests	20-30%
Midterm examination	30-40%
Final examination	<u>30-40%</u>
	100%

STUDENTS MUST WRITE BOTH THE MIDTERM EXAMINATION AND THE FINAL EXAMINATION TO OBTAIN CREDIT FOR THE COURSE.

Prior Learning Assessment and Recognition: specify whether course is open for PLAR

No.

Course Designer(s): **Elizabeth Hicks**

Education Council / Curriculum Committee
Representative

Dean / Director: **Rosilyn Coulson**

Registrar: **Trish Angus**

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