ACC 616: Accounting Theory & Development
Spring 2012
Tuesdays 18:00 to 20:45, D104

Updated on 2012-01-10

Instructor: Boochun Jung, Ph.D.
Office: BusAd A-403 (4th floor, A-tower)
Phone: 956-8461
E-mail: boochun@hawaii.edu
Office hours: T: 17:00 – 18:00 or by appointment

Prerequisites: Accounting 323. Instructor does not allow students without ACC 323 to enroll in this class. Students without necessary prerequisite will be dropped from the class in the third week of the class.

Course materials:
(2) Lecture Notes (available on course website: Laulima.hawaii.edu)
  o Students should regularly check this site for resources.

COURSE OBJECTIVES:
- Apply academic research to accounting policy debates.
- Understand the role of ethics in financial reporting.
- Develop a theoretical framework for understanding the role of accounting information in the efficiency of economic transactions and capital market prices.

GRADING: There are no predetermined quotas for any letter grades. For your information, the grade distribution for this course has been approximately: 30% A’s, 50% B’s, and 20% C’s. Plus/minus grades are given in the course.

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final Exam</td>
<td>50</td>
</tr>
<tr>
<td>Presentation</td>
<td>20</td>
</tr>
<tr>
<td>Homework</td>
<td>20</td>
</tr>
<tr>
<td>Class participation</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

FINAL EXAM: If it must be missed, the instructor MUST be notified prior to the absence. No make-up exam will be given without prior notification. Make-up exam will be considered only in legitimate, unavoidable circumstances (e.g., serious illness, family emergency, etc). Proper documentation for the absence must be required. When allowed, make-up exam will be scheduled at the discretion of the instructor. Make-up exam is more rigorous, is graded to a higher standard than the original exam, and does not offer bonus points or additional credits of any kind.

1 This syllabus is tentative and subject to change.
**PRESENTATION:** You are to work with your group and read and present the assigned reading material. Each group will have one hour to present the material that is found important and relevant. Groups may find it appropriate to include some additional information obtained from sources other than the assigned reading material (I strongly encourage this). All members of the group must equally contribute to the presentation. As reading assignment is for the class and not for only a specific group, all students are expected to contribute to discussion. Groups assigned for presentations are to provide me with a copy of their PowerPoint presentation. I strongly encourage you to make a very professional presentation and practice your presentation (at least once) before you actually do it in the classroom.

**HOMEWORK:** You are to write up your analysis/answers and turn them in at the beginning of class period for which the assignment(s) are due. The solution and answer to assignments must be typed and you must make sure that your papers are properly written and are edited for grammatical errors.

**CLASS PARTICIPATION:** Class participation is vital to the success of this course. Class participation points are based on both class behavior and classroom performance. Students with unprofessional behaviors will get a “0” in class participation points. Unprofessional behaviors include, but are not limited to sleeping, chatting, and text messaging during the class. I reserve the right to make further deductions of the student’s final grade for these unprofessional behaviors. Students are also expected to actively participate in class to get the points. 10% of the total grade for this class is allocated to your participation for the discussion in the class. I may call on you in class to be sure that you are adequately prepared.

**ATTENDANCE:** You are expected to attend every class. Attendance will be taken randomly at either the beginning or the end of the class. Please arrive on time. Arriving late is disruptive to everyone. I also expect that you remain in class for the entire period. Coming and going is also disruptive and rude. Students being late or leaving early will be deemed as missing the class. Your grade will be lowered if there is more than one absence.

**Communication:** I strongly encourage students to come to my office hours or make appointments. Email is a preferred communication method. I will not discuss grades through email. Students are required to check course website one day before the class and be responsible for printing out and bringing lecture notes to class.

**COURSE COMPLIANCE WITH VARIOUS CAMPUS POLICIES:**

All University of Hawaii and Shidler College of Business rules and policies will be followed in the course.

**Alternate Meeting Place:** In the event of any disturbance requiring the evacuation of the CBA, you are to meet the instructor in the grassy area on the south (makai) side of George Hall. At that time, further instructions will be given (if an exam is in progress, you will be notified of an alternate room to complete the exam).

**Students with Disabilities:** Any student who has a documented disability and requires accommodations is strongly encouraged to contact me or the KOKUA Program located in Room 13 on the first floor of the Student Services Center (also contact Ann Ito, KOKUA Program Director at 956-7511).
**Academic Honesty**: Cheating and Plagiarism will not be tolerated. All incidents will be handled in accordance with the UH Student Code of Conduct. The UH Student Code of Conduct, is available at: http://www.hawaii.edu/student/conduct. The most relevant portions are included below for your convenience.

Because UHM is an academic community with high professional standards, its teaching, research, and service purposes are seriously disrupted and subverted by academic dishonesty. Such dishonesty includes cheating and plagiarism as defined below. Ignorance of these definitions will not provide an excuse for acts of academic dishonesty.

Be sure to read the following definitions for plagiarism and cheating.

**Cheating** includes but is not limited to giving or receiving unauthorized assistance during an examination; obtaining unauthorized information about an examination before it is given; submitting another’s work as one’s own; using prohibited sources of information during an examination; fabricating or falsifying data in experiments and other research; altering the record of any grade; altering answers after an examination has been submitted; falsifying any official University record; or misrepresenting of facts in order to obtain exemptions from course requirements.

**Plagiarism** includes but is not limited to submitting, in fulfillment of an academic requirement, any work that has been copied in whole or in part from another individual’s work without attributing that borrowed portion to the individual; neglecting to identify as a quotation another’s idea and particular phrasing that was not assimilated into the student’s language and style or paraphrasing a passage so that the reader is misled as to the source; submitting the same written or oral or artistic material in more than one course without obtaining authorization from the instructors involved; or “drylabbing,” which includes obtaining and using experimental data and laboratory write-ups from other sections of a course or from previous terms.

**Classroom Behavior**: Both students and faculty have responsibility for maintaining an appropriate learning environment. Students who fail to adhere to behavioral standards may be subject to discipline. Faculty must treat students with understanding, dignity and respect, to guide classroom discussion and to set reasonable limits on the manner in which students express opinions.

**Cell Phones and Laptops**: Cell phones should be turned off or put in silent mode for every class (myself included). Laptops may be used to take notes and view the course/textbook webpages and links, but during class, should not be used for other purposes. Violation of this policy will result in a lowered class participation score and potential expulsion from class.

**COURSE SCHEDULE**

I have attached an outline of the topics that will be covered in this class. The schedule also indicates the date for the final exam.

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Reading Assignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/10</td>
<td>Course introduction/Syllabus</td>
<td></td>
</tr>
<tr>
<td>1/17</td>
<td>Warm-up</td>
<td></td>
</tr>
</tbody>
</table>
- Efficient Securities Markets
- Implications of Efficient Securities Markets for Financial Reporting

1/24
- The Informativeness of Price
- CAPM

- Information asymmetry
- Full disclosure

1/31
- The Information Approach to Decision Usefulness
- Seminar project presentation

2/7
- Earnings response coefficients (ERC)
- Seminar project presentation

2/14
- The value relevance of financial statement information

2/21
- The value relevance of financial statement information (continued)

2/28
- Economic Consequences and Positive Accounting Theory.
- Seminar project presentation

3/6
- Economic Consequences and Positive Accounting Theory (continue…)
- Seminar project presentation

3/13
- An Analysis of Conflict.
- Understanding Agency Theory and Game Theory.
- Executive compensation
- Seminar project presentation

3/20
- Earnings management
- Seminar project presentation

3/27 • Spring Recess

4/3
- Earnings management
- Earnings quality (or Accounting quality)
- Seminar project presentation

4/10
- Disclosure
- Seminar project presentation

4/17
- Benefits of adopting high-quality accounting standards
- Seminar project presentation

4/24
- Corporate governance (e.g., audit committee)

- Chapter 4

1/31 (1) Ball and Brown (1968), JAR

2/7 (1) Collins and Kothari (1989), JAE
(2) Teoh and Wang (1993), TAR

2/14 (4) Collins, Maydew, and Weiss (1997), JAE
(5) Landsman and Maydew (2002), JAR

2/21 (6) Amir and Lev (1996), JAE

(8) Dichev and Skinner (2002), JAR

3/6 (9) Healy (1985), JAE
(10) Han and Wang (1998), AR

3/13 (11) Murphy and Zimmerman (1992), JAE
(12) Baber, Kang and Kumar (1998), JAE

3/20 (13) Burgstahler and Dichev (1997), JAE
(14) DeGeorge, Patel and Zeckhauser (1999), JB

3/27

4/3 (15) Gramlich, McAnally, and Thomas (2001), JAR
(16) Hail and Leuz (2009), JFE

4/10 (17) Sengupta (1998), TAR
(18) Botosan (1997), TAR

4/17 (19) Barth, Landsman, Lang, and Williams (2006), WP
(20) Barth, Landsman, and Lang (2008), JAR

4/24 (21) Klein (2002), JAE
Papers for Group Seminar Project


(2) Landsman, W. and E.L. Maydew, 2002. “Has the information content of quarterly earnings announcements declined in the past three decades?,” *Journal of Accounting Research* (June) 797-808.


