

ACCOUNTING (ACCT) 554 -- Advanced Accounting Theory

Fall 2007 (Revised 8/22/2007)

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Office: BC 316 (MTWTh 10:00 a.m.-11:45 a.m. and by appointment)

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Materials

- Financial Accounting Standards Board (FASB) Pronouncements (required but free):
<http://www.fasb.org/st/>
- AICPA Student Affiliate Membership (recommended):
<http://www.aicpa.org/nolimits/nav/benefits.asp>
- American Accounting Association Student Membership (recommended):
http://aaahq.org/membership/student_member.htm
- Free subscriptions to online newsletters as follows (recommended):
AccountingWeb.com
SmartPros.com
- Other readings as assigned (required but free to registered students through University Library--see assignment schedule at end of syllabus)
- [Tips on Business Writing \(http://business.nmsu.edu/~ClassAcct/writing.htm\)](http://business.nmsu.edu/~ClassAcct/writing.htm) (required but free)

ADA Notification

STUDENTS WITH DISABILITIES

If you have (or believe you have) a disability and would benefit from classroom accommodations, please contact the Services for Students with Disabilities (SSD) Office located at Garcia Annex [Phone: 646-6840; TTY: 646-1918].

Please feel free to call Jerry Nevarez, Director of Institutional Equity, at 505-646-3635 with any questions you may have about NMSU's Non-Discrimination Policy and complaints of discrimination, including sexual harassment.

Please feel free to call Michael Armendariz, Coordinator of Services for Students with Disabilities, at 505-646-6840 with any questions you may have on student issues related to the Americans with Disabilities Act (ADA) and/or Section 504 of the Rehabilitation Act of 1973. All medical information will be treated confidentially.

If you have a condition that may affect your ability to exit safely from the premises in an emergency or that may cause an emergency during class, you are encouraged to discuss any concerns with the Instructor.

Prerequisite

ACCT 302 or consent of instructor

Objectives

Demonstrate expanded perspective on the conceptual nature of accounting information and how it relates to the business environment.

Be able to discuss current events in accounting in a professional manner, enlightened by study of relevant accounting research.

Practice oral and written communication skills in the context of inquiry and debate regarding accounting issues.

Article Summary and Oral Report

Choose an article about financial reporting to shareholders from the main articles section of a 1993 or later issue of the *Journal of Accounting Research*, *The Accounting Review*, the *Journal of Accounting and Economics*, or the *Journal of Accounting and Public Policy*. To encourage discussion and "cooperative learning," you will be part of a group of two or three students for this assignment. Before starting the work below, obtain instructor approval of your article.

As a group, prepare one written summary (two to four double-spaced pages) of the main points of the article. Be sure to include the following: (1) the *question* the article is trying to answer, (2) *why* this question is important, and (3) *how* article answers the question.

Also as a group, prepare an oral presentation to the class, explaining the main points of the article in an understandable way. Be sure to include the three points above.

Although multiple-choice format is not the norm for exams in this course, your group will submit to the instructor with the written summary a list of three (known by your group only) multiple-choice questions and their answers related to your article that could be used on the final exam. These questions should be questions your group believes should be reasonably answerable from listening to the group's presentation. The instructor will choose one question from each group for use on the final.

To do a good job, you will probably need to review some earlier publications cited in your article. This will be a good opportunity to improve your knowledge of the accounting literature. Any such references you use should appear in a reference list at the end of your written summary and should be cited in the text of your summary. For these references and in-text citations, use the exact format used by the journal in which your article appears. Also, don't forget to state the name and author(s) of your article.

In your summary, avoid lengthy quotations from the article. The idea is to show that you understand the key points, so use your own words as much as possible. Do not make statements in your written summary or in your oral presentation that you do not understand. Repetition of equations and formulas used in the article is usually unnecessary to convey the main ideas. (If you have taken mathematical economics and/or econometrics, you will have a better grasp of the math.)

Punctuation, grammar, spelling, and sentence structure will constitute part of the grade on the written summary. The due date appears on the schedule at the end of this syllabus. (Five-point penalty for each weekday or portion thereof the paper is late. By the way, no group has ever submitted this assignment late.) Each person in your group will receive the same grade on the written summary, so resolve any internal disagreements before the submission date.

Oral presentation dates will be assigned in class. Each person must present--e.g., you can't have one person do the written report and another do the oral report. Each person will be graded separately on the oral report. Grading criteria include (1) clarity of presentation, (2) eye contact with the audience, (3) ability to hold audience attention, (4) ability to convey and discuss the main ideas without reading from a script, and (4) evidence you have enabled the audience to understand the presentation. Each group's report should take about 20 to 30 minutes. Tip: You may use notes, but glance at them and look up at the audience before speaking--do not let any words come out of your mouth when your head is down. You're doing this for only a total of a few minutes for the whole semester, so take time to practice. Imagine yourself in the place of the audience and think what would make it interesting to you.

In theory there is no difference between theory and practice. In practice there is.

[Yogi Berra](#)

Case Study

You will be completing a revenue recognition case on Manini Manufacturing from the Deloitte Trueblood Case Series (http://public.deloitte.com/media/0226/2006/cases/06-05c_manini_mfg.pdf). In addition to other readings assigned for the course, SEC [Staff Accounting Bulletin No. 104](#), *Revenue Recognition*, may be helpful.

Grading

Exam I	100 points
Article summary, oral report, and case study , 20 points each	60
Exam II (comprehensive)	100
 Total possible	 260

A: 234-260; B: 208-234; C: 182-207; D: 156-181; F: 0-155

The instructor reserves the right to lower required point totals at the end of the semester and to make judgments in borderline cases. If you are taking the course S/U, you will need a grade of "B" or better to receive an "S." A grade of incomplete (I) will be given only as provided in the [NMSU Graduate Catalog](#).

Key Dates

- 08/22/07 Deadline for degree application
- 08/31/07 Deadline for registration/course addition
- 09/17/07 Meet the Firms (this is essentially the accounting career expo--several of the accounting recruiters do not participate in the career expo the next day at Corbett Center)
- 09/18/07 Career Expo, Corbett Center Ballrooms (see note with Meet the Firms above)
- 10/16/07 Last day to drop a course with a "W"
- 11/16/07 Last day to withdraw from the university (not as drastic as it sounds)

Class Schedule (Subject to Modification Except for Exam Dates)

Day	Date	Topics	Assignments and Comments
1	08/28/07	Introduction; accounting history	(1) Syllabus; (2) "Basic Features" case handout.
2	09/04/07	Accounting history (cont'd); Conceptual Framework	(1) SFAC 1 and 2; (2) Hatfield, H., "A Historical Defense of Bookkeeping" at http://aaahq.org/EC_Council_Agendas/2006_08council/Hatfield_Historical_Defense1924.pdf (3) Zeff, S., "How the U.S. Accounting Profession Got Where It Is Today: Part I and Part II," <i>Accounting Horizons</i> (September 2003 and December 2003), pp. 189-205 and 267-286.

3	09/11/07	Conceptual Framework (cont'd); IFRS	(1) SFAC 5 and 6; (2) Jenkins Committee Report handout; (3) Deloitte IFRS Guide ; and (4) Ketz, J. E., essays on principles-based accounting and related topics: http://www.smartpros.com/x39841.xml http://www.smartpros.com/x39842.xml http://accounting.smartpros.com/x50302.xml http://accounting.smartpros.com/x50933.xml http://accounting.smartpros.com/x54322.xml --> Joint FASB/IASB Framework
4	09/18/07	Revenue recognition; IAS 18 Normative accounting models	(1) FASB SFAS No. 48, <i>Revenue Recognition When Right of Return Exists</i> , (2) EITF Issue No. 00-21, <i>Revenue Arrangements with Multiple Deliverables</i> , (3) IAS No. 18.
5	09/25/07	Normative accounting models (cont'd)	Accounting model handouts from last week and Demski, J., "The General Impossibility of Normative Accounting Standards," <i>The Accounting Review</i> (October 1973), pp. 718-723 (handout).
6	10/02/07	Theory selection; abstract accounting theory	Schipper, K., "Principles-Based Accounting Standards," <i>Accounting Horizons</i> (March 2003), pp. 61-72; AAA Financial Accounting Standards Committee, "Evaluating Concepts-Based vs. Rules-Based Approaches to Standard Setting," <i>Accounting Horizons</i> (March 2003), pp. 73-89.
7	10/09/07	Decision usefulness paradigm	Nelson, M., "Behavioral Evidence on the Effects of Principles- and Rules-Based Standards," <i>Accounting Horizons</i> (March 2003), pp. 91-104; Dieter, R., "Is Lessee Accounting Working?" <i>CPA Journal</i> (August 1979), pp. 13-15, 17-19; Ketz, J.E., "Lease Accounting: Separating Myth from Reality (2006) (http://accounting.smartpros.com/x54131.xml)
8	10/16/07	Exam I	
9	10/23/07	Aggregate decision maker paradigm	Mann, C., "Are Stock Movements Predictable: And What Does It Have to Do With the Price of Lettuce" (Interview with Eugene Fama), <i>Investment Vision</i> (October/November 1991) (handout); Kumar, K., and Visvanathan, G., "The Information Content of the Deferred Tax Valuation Allowance," <i>The Accounting Review</i> (April 2003), pp. 471-490.
10	10/30/07	Adverse selection (conclusion)	Melendrez, K., et al., <i>Cash Flow and Accrual Surprises: Persistence and Return Implications</i> ; Beaver, W., "Perspectives on Recent Capital Market Research," <i>The Accounting Review</i> (April 2002), pp. 453-474 (stop after first paragraph on p. 466).
11	11/06/07	Individual decision maker paradigm	Nichols, D. C. and Wahlen, J. M., "How Do Earnings Numbers Relate to Stock Returns? A Review of Classic Accounting Research with Updated Evidence," <i>Accounting Horizons</i> (December 2004), pp. 263-286. Written article summary due.

12	11/13/07	Economic consequences of accounting policies	Zeff, S., "The Rise of Economic Consequences," <i>Journal of Accountancy</i> (December 1978), pp. 56-63 (handout); McEnally, R., and Walters, P., "The Critical Nature of Neutral Financial Reporting," <i>FASB Report</i> (August 29, 2003), pp. 2-3 (http://www.fasb.org/articles&reports/constituents_tfr_aug_2003.pdf). Student presentations.
13	11/27/07	Positive accounting theory	Kinney, W., "Some Reflections on a Professional Education: It Should Have Been More Positive," <i>Issues in Accounting Education</i> (Fall 1990), pp. 295-301. Beatty, A., and Weber, J., "The Effects of Debt Contracting on Voluntary Accounting Method Changes," <i>The Accounting Review</i> (January 2003), pp. 119-142 (read only pp. 119-124 and 141-142). Student presentations.
14	12/04/07	Positive accounting theory (cont'd); earnings management	Beaver, W., "Perspectives on Recent Capital Market Research," <i>The Accounting Review</i> (April 2002), pp. 453-474 (read pp. 466-469); Nelson, M., et al., "How Are Earnings Managed? Examples from Auditors," <i>Accounting Horizons</i> (Supplement 2003), pp. 17-35. Revenue recognition case due. Student presentations.
15	12/11/07	Exam II (comprehensive) (6:00-8:30 p.m.)	