Required Texts

3. Optional; *The Wall Street Journal*. You are expected to read the financial pages of the news media and to generate discussions on current topics as they develop.

Term: Fall 2009

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Section C: Detailed schedule for exams, assigned reading, and other items

Section A: Contact Information

E-Mail aghphd@fau.edu

Section B: Assignment deadlines, course policies and course information

General:

Student obligations: 
*Assignment deadlines*: All homework or other weekly assignments are due by the Sunday following the Thursday class. For instance, for the assignment for Sept. 17, 2009 homework Q2-4 will be due the following Sunday, Sept. 20, 2009. The syllabus gives precise dates for each week. (There will be different deadlines for exams and term projects. The deadlines are noted on the week by week schedule.) The homework is to be uploaded to the dropbox. During the term of the course, 9 homework questions will be submitted. These will be graded on the basis of acceptable, satisfactory, and unsatisfactory. Additional homework questions are assigned to be answered through online threaded discussions.

You are expected to turn in all assignments on time. Three failures to be timely (including failure to complete assignments) will result in an F in the course.

Reading assignments. You are expected to be fully prepared each week, having read and studied all assigned material. The quality of your participation can impact your grade. Read the assigned materials, work through the homework problems and raise questions on materials you find difficult.

*Term projects*: The course has two term project requirements; a research paper and a presentation. See discussion below for full details.

Instructor obligations:

*Response to email*: I will normally respond to email on a daily basis. However, I am occasionally out of town or otherwise tied up. If I have not responded after 24 hours, please send
me a reminder.

_Solutions to Assignments:_ We will discuss solutions to assignments in the following class session.

_Course updates:_ Syllabus updates may be made during the semester. Changes will be posted as an announcement on the course home page on E-College.

**School and college policies:**

_School of Accounting policies:_ The SOA has adopted policies that apply to all accounting faculty, students and courses. Please review policies relevant to you at [http://soa.fau/deu/soadmin/soasylpol.htm](http://soa.fau/deu/soadmin/soasylpol.htm). Please note that these policies are not meant to prevent additional requirements by the instructor in any particular course.

_Academic irregularities:_ The FAU Graduate School of Business has adopted a strict academic honesty policy. You should review this policy statement, found at [http://www.fau.edu/gsb/newsinfo/cobhonesty.htm](http://www.fau.edu/gsb/newsinfo/cobhonesty.htm)

**Course objectives:**

This is a course in accounting theory. The course does not concern itself directly with learning or applying accounting pronouncements. Rather, the course examines the economic forces, competing interests, and regulatory institutions that shape the way accounting policy choices are made and also the role of accounting in society. In addition, to discussing accounting in its familiar role as an income measurement tool and as an input to decisions under uncertainty, we study how efficient markets, compensation practices, debt covenants, and other broad economic consequences impact accounting policy makers and those who make accounting choices.

**Term projects**

The SOA strongly supports the COB communication requirement. As you probably know, ACG 6135 is one course for MACC and MTAX students allowing them to complete certification. Each student will complete an in-class presentation and a written research paper (both on the same topic). Your presentation and research paper must be done in the persuasive style.

Here is a brief explanation of what is meant by persuasive style. Suppose you choose to examine the issue of “proforma” earnings, a common practice where companies report an earnings number that excludes certain GAAP income items. For example a company may report proforma earnings before amortization of goodwill or before losses from a dot.com segment. In a persuasive paper, you MUST take a position (e.g., proforma earnings must be completely reconciled to GAAP earnings or proforma earnings must not be allowed in any press release OR proforma earnings should be completely unregulated) and persuade the audience or reader why your position is correct.

A persuasive argument is not the same as a biased argument. All sides of the issue should be described. However your paper MUST take a position and defend that position.

A persuasive paper does not eliminate descriptive work. In the case at hand, for example, you would have to inform the reader or audience by describing the practice of proforma earnings and the nature of the controversy. Moreover, you must support any factual statements. In summary, a persuasive paper involves informing the reader about an issue or controversy, taking a position, and convincing the reader that your position is correct.

**Research paper:** Your paper must be well researched, with _at least_ 6 sources cited in your bibliography from current academic and practitioner journals. You should reference FASB statements, SEC rulings, newspaper articles, etc., if you rely on them; but those citations do not count as part of the 6 sources. You need at least 6 references beyond those. For example, there
were hundreds of articles about Enron and SPEs. However, those articles are all secondary sources. By contrast, there are many “white papers” and academic articles on SPEs written by knowledgeable individuals - practicing partners at national CPA firms, respected academics, the research divisions of financial services firms including Standard and Poor’s. I do not want a master-level paper that relies on secondary sources. I expect primary sources written by credible individuals. While there are good “stories” in newspaper articles, there is very little in-depth accounting.

Do your research well in advance and do not start writing at the last moment. You will be expected to produce a rough draft for review (which will also be distributed to others in your group) at least three class sessions before the paper is due.

Your paper should be 10-11 type-written pages, double spaced. It should contain no clutter, especially historical information. Present your position and then build on your information. The body of your paper should support your opening in a logical and supportive manner. Stay focused and include no irrelevant points or become lost in clutter. Every reason should be a heading. Write simply and directly.

Topics: Below is a list of possible topics for your research paper. In “Paper Topics” under Course Home, you are to indicate which topic you are choosing and whether you want PRO or CON. Topics are on a first-come, first-served basis. Depending upon the number of students in class and the number of students signing up for each topic, one or more topics may be removed and students assigned to another topic to even up the groups. I will confirm or change your preference.

Topic 1 Bright line standards are preferable to principles based standards or objectives-oriented standards.
Topic 2 In-substance defeasance of debt should result in removal of debt from the balance sheet.
Topic 3 Stock option grants should be expensed based on fair value at the date of grant.
Topic 4 All non-cancellable leases should be treated as liabilities (and carried at present value)
Topic 5 Acquired in-process R&D (IPR&D) should be capitalized
Topic 6 Income reporting should follow the “comprehensive income” approach
Topic 7 The direct cash flow statement should be required in financial statements
Topic 8 The FASB should adopt a standard for private companies similar to IFRS-SME standard
Topic 9 The financial classification scheme recommended in the FSP DP should be adopted
(for discussion see FASB Preliminary Views, Financial Statement Presentation Discussion Paper (FSP DP) (in DocSharing)

Grades.
Your grade will be based on two exams (each exam is worth 100 points) your term paper (100 points) your presentation (30 points) and homework assignments (70 points) There can be an upward or downward adjustment to the final point total for participation and extent of preparation for class. Grading scale A 93-100%, A- 90-92% B+ 88-89% B83-87% B- 80-82% etc
**Section C Syllabus:**
The following schedule is tentative. The following codes are used. Scott - Scott, W.R. *Financial Accounting Theory*, OL or LIB - available online or through FAU library. Please note additional articles, etc, may be assigned. These will be posted under “Course Documents” on E-College. We will be answering the homework questions set forth in **bold** online the dropbox. You are to submit only those that are not set out in bold (There are a total of 9 during the term of the course). There may be additional reading posted to the course units in addition to those listed below.

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<tr>
<th>Week:</th>
<th>Date:</th>
<th>Assignments</th>
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| 1     | 8/27  | Introduction and structure of course  
       |       | Discussion: history and economic income  
       |       | Read: Scott 1 |
| 2     | 9/3   | Read Scott 12  
       |       | Discussion: Standard Setting: Economic Issues  
       |       | HW Q12-12, (unit #1) **Q12-15** |
| 3     | 9/10  | Read Scott 13  
       |       | Discussion: Standard Setting: Political Issues  
       |       | HW Q13-5, (unit #2) **Q13-7** |
| 4     | 9/17  | Read Scott Chap. 2  
       |       | Discussion: Accounting Under Ideal Conditions  
       |       | HW Q2-14, (Unit #3) **Q2-19** |
| 5     | 9/24  | Read Scott Chap 3 (omit sections 3.5, 3.6 and 3.7)  
       |       | Discussion: The Decision Usefulness Approach to Financial Accounting  
       |       | HW: Q3-11 (Unit #4) **Q3-13, Q3-15.**  
       |       | TERM PAPER TOPIC DUE |
| 6     | 10/1  | Read Scott Chap 4  
       |       | Discussion: Efficient Securities Markets  
       |       | HW: Q4-2, (Unit #5) **Q4-8**  
       |       | Note: Answer this additional requirement for 4-8; do you think reaction to GMs announced $20.8 billion charge would be different if GM chose to write-off the |
charge over 20 years? Explain.  

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<th>Read</th>
<th>Discussion</th>
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| 7    | 10/08| Read Scott Chap 5  
Discussion: The Information Approach to Decision Usefulness  
EXAM 1 (available online) due 10/22 |
| 8    | 10/15| Read Scott Chap 6  
Discussion: The Measurement Approach to Decision Usefulness  
ROUGH DRAFT OF TERM PAPER DUE 10/29 |
| 9    | 10/22| Read Scott Chap 7  
Discussion: Measurement Applications  
Presentations  
HW Q7-7, (Unit #6) Q7-11, Q7-13 |
| 10   | 10/29| Read Scott Chap 8 (omit section 8.4)  
Discussion: Economic Consequences and Positive Accounting Theory  
Presentations  
HW Q8-10 and Q8-12 (Unit #7) |
| 11   | 11/5 | Read Scott 9 (omit 9.3)  
Discussion: An Analysis of Conflict  
Presentations  
HW Q9-9 (Unit #8) |
| 12   | 11/12| Read Scott 10  
Discussion: Executive Compensation  
Presentations |
| 13   | 11/19| Read Scott Chap 11  
Discussions: Earnings Management  
HW Q10-9 and Q10-11(Unit #9) |
| 14   | 11/26| Thanksgiving no class |
| 15   | 12/3 | Final Exam. |
AAA

Students,

The FASB recently adopted the codification as the official source of GAAP. The FAU School of Accounting has purchased a one year subscription for access for faculty and students. Below is a student User ID and password. You must login through the address below which provides access through the American Accounting Association. Please bookmark this address. This login address is valid until August 31, 2010. DO NOT contact the American Accounting Association if you lose this information. The User ID and password may be obtained from your instructor or the School of Accounting Staff. This User ID and password is to be used only by accounting students of Florida Atlantic University.

http://aaahq.org/ascLogin.cfm

STUDENTS:
User ID  AAA51093
Password sfau593