ACG 6135
Advanced Accounting Theory (3 credits)
Summer 2011
Distance Learning

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Prerequisite: Admission to the College of Business masters program and ACG 6138 or equivalent

Required texts:


2. Access to FASB web site-log in at http://aaahq.org/ascLogin.cfm. User ID AAA51093, password SoLt66m. For use by students only.


4. Optional: The Wall Street Journal. You are encouraged to read the financial pages of the news and to generate discussions on current topics as they develop.

Course description and objectives: This course requires students to analyze trends in accounting through review of the major publications of the accounting profession. The emphasis is on the structure of accounting theory underlying the concepts of assets and income determination.

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.

**Class policies:** Students 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 material you find difficult.

**Assignment deadlines:** The class is divided into weeks. Each week begins on Monday at 7am and ends the following Sunday at 11pm EST. You must have completed any contributions to threaded discussions by Sunday at 11pm, and I must receive any assignments by Sunday at 11pm. The syllabus gives precise dates for each week. *(There may be exceptions to these deadline rules when oral presentations and threaded discussion debates are due. These are given on the assignment schedule below.)* 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.

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

**Academic honesty:** Students at Florida Atlantic University are expected to maintain the highest ethical standards. Academic dishonesty is considered a serious breach of these ethical standards, because it interferes with the university mission to provide a high quality education in which no student enjoys an unfair advantage over any other. Academic dishonesty is also destructive of the university community, which is grounded in a system of mutual trust and places high value on personal integrity and individual responsibility. Harsh penalties are associated with academic dishonesty. For more information, see Regulation 4.001 at [http://www.fau.edu/regulations/chapter4/4.001_Code_of_Academic_Integrity.pdf](http://www.fau.edu/regulations/chapter4/4.001_Code_of_Academic_Integrity.pdf).

**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://business.fau.edu/index.php?src=gendocs&ref=uniformpolicies&category=Accounting&submenu=departments_Accouting](http://business.fau.edu/index.php?src=gendocs&ref=uniformpolicies&category=Accounting&submenu=departments_Accouting). Please note that these policies are not meant to prevent additional requirements by the instructor in any particular course.

The FAU Graduate School of Business has adopted a strict academic honesty policy. Please review this policy statement, found at [http://www.business.fau.edu/clientuploads/COB/Policies/AcademicHonestyPolicy.pdf](http://www.business.fau.edu/clientuploads/COB/Policies/AcademicHonestyPolicy.pdf).

*University required statement:* "Students agree that by taking this course all required papers may be subject to submission for textual similarity review to the SafeAssign database for the detection of plagiarism. All submitted papers will be included as source documents in the SafeAssign reference database solely for the purpose of detecting plagiarism of such papers. Use of the SafeAssign service is subject to the Terms and Conditions of Use posted on the SafeAssign site."
**University e-mail policy.** FAU has the following email policy. I adopt this policy in my course.

When contacting students via e-mail, the University will use only the student’s FAU e-mail address. This will ensure that e-mail messages from FAU administration and faculty can be sent to all students via a valid address. E-mail accounts are provided automatically for all students from the point of application to the University. The account will be disabled one semester post-graduation or after three consecutive semesters not registered for a course.

**Instructor obligations:**

*Response to email.* I will normally respond to email on a daily basis. If I have not responded after 24 hours, please send me a reminder. When emailing me, **ALWAYS** include the course number in the subject.

*Solutions to problems:* I will post solutions to assignments.

*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.

**Term projects**

The SOA strongly supports the COB communication requirement and ACG 6135 is one course allowing MACC students to achieve some of your certification requirements. Each student will complete a written research paper and a video presentation. Your presentation and research paper must be done in the persuasive style. Instructions on writing a persuasive paper are posted in ecollege. Both the presentation and the debates are on the same topic. There will be five research topics (see below) from which to choose. Topics are on a first come, first served basis. Each topic will have a pro and con side, and three students will choose the con and three the pro side of each issue.

*Research paper.* Your paper must be well researched, with sources cited in your bibliography from academic journal, practitioner journals, FASB statements, SEC rulings, etc. You need at least 8 primary references. For example, there were hundreds if not thousands of newspaper and magazine articles about Enron and special purpose entities (SPEs). However, those articles are all secondary sources. By contrast, there are many primary sources, including "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, etc. I do not want a masters-level paper that relies on secondary sources. I expect you to cite primary sources written by credible individuals. While there are good "stories" in newspaper articles and those stories may help you understand the issues and help motivate your paper, those stories do little to answer the accounting issues relevant to
Your search for source material must include a library search (see below).

Sources for research paper. You can find useful information using Google or similar search engines, and often you can find excellent articles from authoritative sources. You should also search the FAU library holdings to find sources for your paper (although you may not find any directly on a particular issue). The library contains journals that are not available from open web sites. You can access the FAU library from any computer with internet access (www.fau.edu/library/). Once you have accessed the library web site and invoked EZproxy, you will have the same access as if you were on campus. I recommend you use ProQuest Direct to search FAU holdings. Almost all of the journals to which FAU subscribes have full text of articles available for download. If you have trouble searching FAU holdings, contact the library (for phone numbers go to http://www.library.fau.edu/geninfo/bocaadd.htm).

How the certification process works. If I disapprove your research paper because of content, thoroughness, and/or organization of the paper, you will not have a chance to become certified. If I approve, your communications instructor will consider the paper and may certify the paper, reject the paper, or require revisions.

A not uncommon shortcoming in research papers is related to insufficient background reading in the topic area. The result is a paper that is based on misconceptions about existing accounting rules, the economics of situation, etc. All topics will require that you read background material just to appreciate what the debate is all about. You should spend time just reading and learning. Then, you will be able to see how you can organize your paper in an effective manner. If your paper suggests a lack of background work, your grade will suffer.

Oral presentation. Your oral presentation will be in the form of an online video that presents the argument supporting the position you took in your research paper.

Guidelines for research paper and presentation. Below are the guidelines for the paper and presentation. Any deviation from the following guidelines will result in penalties.

The research paper must be
* Double spaced, 1 inch borders, Times New Roman 12 point font.
* 8-10 pages long (approximately 2600 to 2800 words).
  * Introduction describing the issue and summarizing your position (½ page).
  * Background describing the issue in greater detail (no more than 1 page).
  * Core of your argument (approximately 8 pages).
  * Conclusion (½ page).
* The title page, table of contents, any tables or diagrams, and bibliography are in addition to the 10 pages limit.
The video presentation must be between 5 and 6 minutes long – no more, no less. Presentations that are not within this range will be penalized. In addition, I will turn off your video after seven minutes if your presentation goes beyond seven minutes.

Topics. Below is a list of possible topics for your oral presentation and debates. In “Presentation 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 topics to even up the groups.

Topic 1:

Pro: US GAAP should require entities to offset a recognizable asset and a recognizable eligible liability when it meets the offsetting criteria.

Con: US GAAP should not require entities to offset a recognizable asset and a recognizable eligible liability when it meets the offsetting criteria.

(For background, see http://www.fasb.org/cs/BlobServer?blobcol=urldata&blobtable=MungoBlobs&blobkey=id&blobwhere=1175822044246&blobheader=application%2Fpdf)

Topic 2:

Pro: The liability for the fee paid to the federal government by health insurers should be estimated and recorded in full once the entity provides qualifying health insurance in the applicable calendar year in which the fee is payable with a corresponding deferred cost that is amortized to expense.

Con: The liability for the fee paid to the federal government by health insurers should not be estimated and recorded in full once the entity provides qualifying health insurance in the applicable calendar year in which the fee is payable with no corresponding deferred cost that is amortized to expense.

(For background, see http://www.fasb.org/cs/BlobServer?blobcol=urldata&blobtable=MungoBlobs&blobkey=id&blobwhere=1175821918986&blobheader=application%2Fpdf)

Topic 3:

PRO: The notion of contingent liability (as found in FAS #5) should be eliminated and replaced with the concept of unconditional and conditional obligations. This position would also support the elimination of the probability criterion for recognition of nonfinancial liabilities.
CON: The notion of contingent liability (as found in FAS #5) should be retained and not replaced with the concept of unconditional and conditional obligations. This position would also support the retention of the probability criterion for recognition of nonfinancial liabilities.

[For background, see http://www.fasb.org/draft/itc_assets_liabilities_with_uncertainties.pdf]

Topic 4

PRO: The financial classification scheme recommended in the FSP DP should be adopted.

CON: The classification scheme recommended in the FSP DP should not be adopted.

(The Financial Statement Presentation Discussion Paper recommends radical changes in the classifications on the balance sheet and income statement. This may be controversial, especially for private companies.)

Topic 5.

Pro: Acquired in-process R&D (IPR&D) should be capitalized.

Con: Acquired in-process R&D (IPR&D) should not be capitalized.

Topic 6.

Pro: Fair value accounting information increases the relevance of the accounting information without this information becoming unreliable.

Con: Fair value accounting information may increase the relevance of the accounting information, but makes this information unreliable.

Debates: Students will write a 2 page summary of their oral presentation and share this summary with all members of their group. The six students who are preparing an oral presentation on the same topic will read all summaries relating to their topic. Then each group, through threaded discussions, will stage debates. The PRO side must challenge the CON side with pointed questions. In addition, the CON side must challenge the PRO side. The questions or challenges can point out shortcomings, oversights, errors of fact, etc., by the students on the other side of the issue. There can be as many "rounds" to the questioning as you wish.

Web Assistance - e-College instructions: This course uses eCollege Companion for web-assistance and will be used to provide handouts, complete peer assessments and other feedback assignments, and help you interact with one another and with me throughout the course. It may also be used to submit the integrated assignments for future classes.
Go to [http://faumba.net/](http://faumba.net/) for directions to login to eCompanion/ eCollege. The same link provides directions for using your FAU email. Once you reach the homepage, look at the menu across the top of the page. Click on “My Profile.” Change your password and confirm the listed email address. You will have access to the eCompanion shell for one full year.

**Grades:** Your grade will be based on two exams (each exam is worth 75 points), your paper (100), your oral presentation (100 points), your debate (30 points), and class participation (20 points),

**Grading scale:** Grades will be assigned on the basis of the following:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>A</td>
<td>&gt;92%</td>
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<tr>
<td>A-</td>
<td>≥90%</td>
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<tr>
<td>B+</td>
<td>≥88%</td>
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<tr>
<td>B</td>
<td>≥82%</td>
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<tr>
<td>C+</td>
<td>≥78%</td>
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<tr>
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<td>≥72%</td>
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<tr>
<td>D+</td>
<td>≥68%</td>
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<tr>
<td>D</td>
<td>≥62%</td>
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<tr>
<td>D-</td>
<td>≥60%</td>
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<tr>
<td>F</td>
<td>&lt;60%</td>
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**Course schedule:** Please note that there may be readings posted to the course units in addition to those listed below. These will be posted under “Course Documents” on E-College.

<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Course Schedule</th>
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| 1    | 5/16 - 5/22| Read: Scott 1                      
|      |            | Read: The FASB’s efforts toward simplification (FASB.org)                      |
| 2    | 5/23 - 5/29| Read: Scott 2                      
|      |            | Read: Statement of Financial Accounting Concept No. 8                          |
|      |            | HW: Q2-25                         |
|      |            | Introductions due 5/29             |
| 3    | 5/30 - 6/5 | Read: Scott 3                      
|      |            | Read: Con. # 7                     |
|      |            | HW 3-9, 3-19                       |
| 4    | 6/6 - 6/12 | Read: Scott 4                      
|      |            | HW: Q4-2, Q4-7                     |
| 5    | 6/13 - 6/19| Read: Scott 12 and 13              
<p>|      |            | HW Q12-16, Q13-2, 13-5             |</p>
<table>
<thead>
<tr>
<th>Week</th>
<th>Dates</th>
<th>Assignments</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>6/20 - 6/26</td>
<td><strong>Exam 1</strong></td>
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| 7    | 6/27 - 7/3  | Read Scott 5 and 6  
HW Q5-8, 5-9, Q6-8                                                           |
| 8    | 7/4 - 7/10  | Read Scott 7  
**Research papers due 7/10**  
HW Q 7-3, 7-7                                                               |
| 9    | 7/11 - 7/17 | Read Scott 8  
Read: Markey E. J. and Levitt, A. *An Exchange Between …*, Accounting  
Horizons, March 1995, 71-78  
HW: Q8-1, 8-7                                                               |
| 10   | 7/18 - 7/24 | Read: Scott 9  
HW: Q9-2, 9-3, 9-16  
**Oral Presentations DUE 7/24**  
**Summary papers to group members DUE 7/24**                              |
| 11   | 7/25 - 7/31 | Read: Scott 10  
Read summary pages in your topic group  
HW: Q10-8 and Q10-11  
Threaded discussion debates due 7/31                                       |
| 12   | 8/1 - 8/5   | **Exam 2**                                                                  |