

Grande Prairie Regional College
Department of Arts, Commerce and Education
Course Outline
ACCT 453 (3)
Financial Accounting Theory
Fall 2001

Instructor: Ken Riley
Office: C307
Office hours: Mon. & Wed. 10 – 11:30 AM or by appointment
Telephone: (w) 539-2017; (h) 532-7849
E-mail: kriley@gprc.ab.ca

Time and Place: Tuesday: 13:00 - 14:20
Thursday: 13:00 - 14:20
B207

Course Description:

Financial Accounting Theory explores some theoretical issues that underlie the discipline of financial accounting, as well as some practical consequences of these issues. Related fields of study, particularly economics and finance, are drawn upon to study the efficient markets hypothesis and its implications for financial reporting, applications of the present value model in accounting, agency theory and its implications for financial reporting, the accounting standard setting process, and the economic consequences of accounting decisions.

Prerequisites:

- AU ACCT 352 and FNCE 370 or
- GPRC AC 3520 and FN 3700 or
- GPRC BA 2120 and BA 2230 or
- Equivalents

Content Description:

The course will examine the present value model, the decision-usefulness approach to financial reporting, the impact of efficient market hypothesis on accounting, conflict models and their impact on accounting, issues in the standard setting process and some specific topics of current interest.

Course Materials: The required text for this course is:

Athabasca University Course package including Study Guide 1 & 2

Other reading material may be assigned during the course.

Evaluation:

The grading system employed in this course will be:

Assignments (2)	10%
Term Papers (2)	40%
Participation:	10%
Midterm Examination	15%
Final Examination	25%

Assignments/Cases:

Two assignments or cases will be assigned during the year. The items will due at the beginning of the class on the due date.

Term Papers:

Each student is expected to submit two term papers. The first will be to grade an annual report of one publicly traded Canadian company to be chosen by the student. In this, students will work in groups of two and will analyze the annual report against the reporting guidelines set by the CICA. In addition, you should identify current trends that are not yet reflected in the published guidelines and evaluate the report accordingly. Students should select the company by Sept. 20th; the paper should be handed in no later than Oct. 30th. The paper should be no longer than 15 pages in length, excluding references et.al.

The second term paper will be a topic of the student's choosing but should generally be chosen from the emerging issues area. The student will complete this assignment alone and will limit the paper to no more than 10 pages in length, excluding references et.al. The topic must be approved by the instructor and must be requested in writing detailing the topic to be covered, what aspect of the topic (problem) you wish to examine, reasons why you wish to pursue this topic and a brief description of what you are looking to get out of it. Extensive use of current periodical literature is expected. This should be submitted by Nov. 27th.

Because of the importance of the proper use of English in business generally and in professional situations specifically, papers will be graded accordingly. Although no marks will be assigned directly, marks will be deducted for poor grammar, incorrect spelling, poor sentence construction etc. if it detracts from the quality of the paper.

Participation:

Each student is expected to come to class having read the material and completing any assignments. Marks will be based on the contribution made to the class by the student; note that both quantity and quality of the contribution will be assessed. In addition, the student will present a summary of the results of their first paper in class. A schedule of the presentations will be prepared in conjunction with the students.

Midterm Examination:

A midterm examination is scheduled for the week of October 22nd.

Final Examination:

A final examination will be held with time and place to be announced.

COURSE TIMELINES:

Week of:

- September 3:** General Introduction
Brief introduction to Present Value Model
- September 10:** Chapter 1 - The Impact of Economics on Accounting
- Lower of Cost or Market, and Market-based Valuation
 - Ceiling Tests for Capital Assets
- September 17/25:** Chapter 2 – The Decision-Usefulness Approach to Financial Reporting
- Historical Cost Accounting Revisited
 - The Decision-Usefulness Approach
 - Implications of EMH Theory on Financial Reporting
- October 1:** Chapter 3 – Annual Report Preparation and Analysis
- Objectives of Annual Reports
 - MD&A
 - Use of Graphs
- October 8/15:** Chapter 4 – Financial Reporting for Canadian Businesses
- Interim Financial Reporting
 - Audit Expectations Gap
 - Information Needs for Small Business
- October 22:** **Midterm Examination**
Chapter 5 – Economic Consequences
- Accounting for Government Assistance
 - Foreign Exchange Translation
- October 29/
November 5:** Chapter 6 – Current Issues in Financial Accounting Theory
- Game Theory and Historical Accounting
- November 12/19:** Chapter 7 – Conflict Between Contracting Parties
- Earnings Management
 - Lending Agreements
 - Efficient Contracting for Accountants
- November 26:** Chapter 8 – Standard Setting: Theoretical and Political Issues
- December 3:** Course Review
- December 10:** A final examination will be held with time and place to be announced.