

ACC3615
ACCOUNTING THEORY
Fall 2016
Professor Oliver Li

Accounting is about information and the way we process and assimilate that information. It goes way beyond credits, debits, income statements, balance sheets, consolidations, etc., and it is not just about numbers. Accounting theories are merely rationalized principles that we use to understand the decision-making process and to assimilate information. Often, they include the agency theory, asymmetric information, compensation, etc. But remember, established theories are often not always “correct”. This is where research comes in. In fact, there is no way we can describe theories as being “correct” or “incorrect”. Research, meaning search and search again, is a way that we continuously update our belief about the world in general and various phenomena in particular. In fact, all theories change or become invalid when we view the world from a different angle.

There is no way that we can cover all major topics in accounting theories within a three-month semester. Further, it is absolutely unnecessary to treat existing theories as something divine. What’s important is our willingness to learn. Therefore, this semester, we are going to “learn by doing”.

We will together do a big class project – Project Haze.

We all suffered under the three-month long severe haze in Singapore last year. Older people still remember the devastating haze during the late 1990s. The haze has brought serious damages to the transportation and tourism industries as well as caused health problems. However, dealing with the haze has been difficult as it involves many countries in the region and it is affected by climate conditions. Therefore, haze is a problem with economic, geopolitical, and climate implications.

So, how can we better understand haze? How do we measure the economic impact of haze? How do we combat haze? And how can accounting majors contribute to the amelioration of the haze problem in Singapore and Southeast Asia?

Using our accounting and business knowledge, we are going to do the following:

Project Haze

- Understand the haze
- Measurement
- Economic impact
- Legal issues
- Educate the people (and governments)
- Ways to ease the haze
- Suggestions

I will mobilize some Singapore/Malaysian/Indonesian companies and research institutions to assist us. If we can get corporate sponsorship, we will try to pay a visit to some Indonesian plantations and perhaps witness the fires and talk to local people.

The final product of the class will be in the form of several reports or one report combined from the whole class. I will seek the help of our Corporate Communications Department to alert our research output to major local newspapers. I also encourage you to put up some presentation on youtube.com.

So let's do the real thing!

Schedule

9 August **National Day – No class** **Will make up with longer classes later**

16 August Introduction and Professor Li will introduce his work on haze in China. Team assignment and plan for the semester.

23 August Accounting Issue – Compensations.

Chen, D., O. Z. Li, and S. Liang. 2015. Perk consumption as a suboptimal outcome under pay regulations. *Asia-Pacific Journal of Accounting and Economics* 1-27.

Rajan, R. G., and J. Wulf. 2006. Are perks purely managerial excess? *Journal of Financial Economics* 79, 1-33.

Yermack, D. 2006. Flights of fancy: Corporate jets, CEO perquisites, and inferior shareholder returns. *Journal of Financial Economics* 80, 211-242.

Simultaneously students to start research on sustainability in general and haze in particular in Southeast Asia. Each team will make a short progress presentation in class.

30 August Accounting Issue – Earnings Management.

Burgstahler, D., and I. Dichev, 1997. Earnings Management to Avoid Earnings Decreases and Losses. *Journal of Accounting and Economics*, 24 (1), 99-126. **Team 1 to present.**

Jones, J. 1991. Earnings Management During Import Relief Investigations. *Journal of Accounting Research*. 29. **Team 2 to present.**

Bartov, E., D. Givoly, and C. Hayn. 2002. The rewards to meeting or beating earnings expectations. *Journal of Accounting and Economics* 33, 173–204.

Keung, E., Z. Lin and M. Shih. 2009. Does the Stock Market See a Zero or Small Positive Earnings. *Journal of Accounting Research* 48, 105-135. **Team 3 to present.**

Simultaneously students to start research on sustainability in general and haze in particular in Southeast Asia. Each team will make a short progress presentation in class.

6 September Accounting Issue – Game Theory.

Simultaneously students to start research on sustainability in general and haze in particular in Southeast Asia. Each team will make a short progress presentation in class.

13 September Sustainability and Corporate Social Responsibility

Dhaliwal, D., O. Z. Li, A. Tsang, and G. Y. Yang. 2011. Voluntary nonfinancial disclosure and the cost of equity capital: The initiation of corporate social responsibility reporting. *Accounting Review* 86, 59-100. **Team 1 to present.**

Richardson, A., and M. Welker. 2001. Social disclosure, financial disclosure and the cost of equity capital. *Accounting, Organization and Society* 26: 597-616. **Team 2 to present.**

Simnett, R., A. Vanstraelen, and W.F. Chua. 2009. Assurance on sustainability reports: An international comparison. *The Accounting Review* 84: 937-967. **Team 3 to present.**

20 September Recess – No class

27 September Discussion: Haze in Southeast Asia. Legal, environmental, economic and health issues.

4 October Exam

11 October Company visit

18 October Potential plantation visit

25 October Discussion: Is there a way to account for the haze and environmental impact in general?

1 November Haze Project Presentations

8 November Final. Report Due.

15 November Reading Week

*** This schedule is tentative and will change based on how the class progresses.

Students will be continuously assessed based on classroom participations, performance, presentations, final reports and exams.

A tentative grading scale is as follows:

Mid-term	20%
Final	20%
Participation	10%
Presentation and final report	50%

As this class is intended to be less structured, I may modify the above grading scale when necessary.