

FINANCIAL ACCOUNTING THEORY

Instructors

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Course description

The primary goal of this course is to introduce Ph.D. students to theories and research in financial accounting.

After a short introduction to financial accounting tools and terminology, the course presents the main theoretical frameworks and empirical methods developed/applied by financial accounting studies. The “milestones” of the accounting literature are presented and discussed. Some of the most relevant research fields are then discussed in depth, with reference to more recent literature. In particular, this course deals with empirical research that investigates the companies’ reporting and disclosure policies (e.g. earnings management, voluntary disclosure, corporate governance, market based research, etc.). The main contributions and the research methods applied by each research stream are analysed and discussed.

Main contents (subject to change):

EVOLUTION OF FINANCIAL ACCOUNTING THEORY AND METHODS

- The evolution of financial accounting research
- Main theories and methods used in financial accounting studies

RESEARCH ON COMPANIES’ REPORTING AND VALUE RELEVANCE OF ACCOUNTING INFORMATION

- Disclosure level and cost of equity
- Accounting based market multiples
- Value relevance of financial and non-financial information

Textbook and reading material

The course material includes:

- articles and lecture notes (handed-out by the instructor during the course)
- selected chapters from the following textbook:
SCOTT W.R., *Financial Accounting Theory*, Pearson, 2015 (seventh edition)

In-class presentations

Towards the end of the course each student will be required to present and discuss an empirical paper of her/his choice in Accounting (the topic and paper needs to be coordinated with the instructor). The presentation should not exceed 45 minutes. More details will be provided in class.

Class format

Students are expected to read in advance the required papers assigned for each class. The classroom environment will be highly informal and participative. Students are encouraged to raise questions and/or cast doubts and/or elaborate on various aspects and issues related to the papers discussed and also challenge the outcomes of the papers in terms of methodology and or applied theories.

Assessment method

The final assessment will be based on:

- | | |
|-------------------------|-----|
| - Class participation | 30% |
| - In-class presentation | 30% |
| - Final written exam | 40% |

Prerequisites

To facilitate full understanding of the issues and the methodologies which will be discussed in the course, it is essential that students be familiar with the following topics:

- Financial Reporting Framework (terminology, assumptions, principles, procedures),
- The usefulness of financial accounting: What are we looking for in financial reports?
- Financial statements structure, identify the main items and their location in the various financial reports.
- The applications of international (or US) accounting standards on measurements and estimations of assets and liabilities.
- Financial statement analysis.
- The usefulness of the Statement of Cash Flows.

Students who are not familiar with the above-listed topics and, in general, with financial accounting tools and terminology are advised to study one of the following textbooks (or any equivalent one) BEFORE the start of the course:

- Harrison-Horngren, *Financial Accounting*, Pearson Education, Last Edition
- Horngren-Sundem-Elliott, *Introduction to Financial Accounting*, Prentice-Hall, Last Edition
- Short-Libby-Libby, *Financial Accounting. A Global Perspective*, McGraw-Hill, 5th Edition, 2008
- Alexander-Britton-Jorissen, *International Financial Reporting and Analysis*, Thomson Learning, 2008
- Elliott-Elliott, *Financial Accounting, Reporting and Analysis*, Prentice-Hall, 2006

Detailed outline

(NOTE: This is just a draft. The structure of the syllabus and the list of readings may be subject to changes)

November 19, 2018; h. 09:00-13:00

FINANCIAL ACCOUNTING MAIN ISSUES AND TOOLS: A REVIEW

Required readings: if you have the possibility, please go and read your previous accounting books, if you have any (alternatively, see the list of books on page 2). Otherwise, see the following additional reading. The purpose of this first session is to review some fundamentals in accounting and to self-assess your preparation.

Some additional lecture notes will eventually be prepared by the teacher and sent via email to the students after the class.

Additional readings:

- P. Tettamanzi, G. Blandano, S. Goodman, BASIC ACCOUNTING, Ipsoa, 2014, ISBN: 978-88-217-5060-1.

November 23, 2018; h. 10:00-13:00

FINANCIAL REPORTING AND STANDARD SETTING: PRACTICE, THEORY AND RESEARCH

Required readings: W. R. Scott, Chapter 1

Purpose of this lecture: some papers selected by the teacher will be distributed, read and discussed in class. Every student will chose (among a list of content) a topic to be discussed during the last lecture and prepare a written paper (final exam) which will be evaluated with a final mark.

Additional readings:

- Scott, Chapter 12 and 13
- B. Lev., "Toward a Theory of Equitable and Efficient Accounting Policy", *The Accounting Review*, January 1988, pp. 1-22.
- A. Lionzo, "Gli studi di financial accounting di matrice nordamericana. Fondamenti epistemologici e percorsi scientifici", Franco Angeli, 2012.

December 3, 2018 ; h. 14:00-17:00

ASSESSING THE QUALITY OF DISCLOSURE AND ITS IMPACT ON THE COST OF EQUITY CAPITAL

Required readings:

- Botosan C., "Disclosure Level and the Cost of Equity Capital", in *The Accounting Review*, July 1997, pp. 323-349
- Botosan C., "A re-examination of disclosure level and the expected cost of equity capital", in *Journal of Accounting Research*, March 2002, pp. 21-40

December 10, 2018; h. 10:00-13:00

ACCOUNTING BASED MARKET MULTIPLES AND THE VALUE RELEVANCE OF NON-FINANCIAL INFORMATION

Required readings:

- Bhojraj S., Lee C.M.C., “Who is My Peer? A Valuation-Based Approach to the Selection of Comparable Firms”, in *Journal of Accounting Research*, May 2002, pp.407-439
- Sievers S., Mokwa C.F., Keienburg G., “The Relevance of Financial versus Non-Financial Information for the Valuation of Venture Capital-Backed Firms”, in *European Accounting Review*, 2013, 22(3), pp. 467-511

December 19, 2018; h. 14.00-17.00

CONCLUSIONS & STUDENTS' PRESENTATIONS

More details will be provided by the instructor in class

Final exam: TBC