BUSI 4000 B  
ACCOUNTING THEORY  
Winter 2013

PROFESSOR: Dr. Raili Pollanen  
Office: 820 DT, Tel. 520-2600, Ext. 2376  
Office Hours: Tuesdays 14:30 – 15:30 and by Appointment  
E-mail: raili_pollanen@carleton.ca and via WebCT  
WebCT: http://webct.carleton.ca


PREREQUISITES: BUSI 2002, 2504, and one of ECON 2202 or STAT 2607 with a grade of C- or higher in each.  
The School of Business enforces all prerequisites.

COURSE OVERVIEW:  
This course focuses on the evolution of accounting theory and its importance for accounting practice and standard setting. Instead of being a practice-oriented professional course, the course focuses on understanding the theories underlying the generally accepted accounting principles and financial reporting. Empirical evidence supporting such theories is reviewed, with emphasis placed on income measurement and current issues. The students develop an ability to critically evaluate current and proposed accounting and financial reporting practices within a broad organizational and environmental context.

LEARNING OBJECTIVES:

1. Understand major theoretical foundations underlying financial accounting and reporting.  
2. Understand financial accounting and reporting in its institutional, behavioural, standard setting, and political context.  
3. Evaluate an organization’s financial accounting and reporting practices, considering relevant organizational and environmental influences.  
4. Recommend well-justified improvements to financial accounting and reporting practices.  
5. Write an effectively researched, justified, and presented professional report.
TEXTBOOK REQUIRED:


Additional required readings, as listed on the course WebCT.

TEACHING METHODOLOGY:

Teaching methodology for this course encompasses assigned readings, brief lectures, discussions, and problem solving exercises and cases. Students are expected to read the assigned material, including the cases and discussion problems before each class and to come to class fully prepared to discuss them. Brief lectures are utilized to highlight and clarify key concepts, and the assigned cases and application problems are discussed in class to apply these concepts.

The primary role of the instructor is to encourage and facilitate student learning by helping students understand and apply key concepts and by providing them with regular feedback on their progress. All lecture notes are available to students, and students have frequent opportunities to obtain feedback on the mastery of material through regular class discussions and activities, assignments, and examinations. Diligent independent preparation for and active participation in class discussions are crucial for developing a thorough understanding of the course material and to perform well in the course.

EVALUATION METHODS:

<table>
<thead>
<tr>
<th>Evaluation Method</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class Activities/Participation (periodic, random)</td>
<td>10%</td>
</tr>
<tr>
<td>Mid-Term Examination</td>
<td>25%</td>
</tr>
<tr>
<td>Project Report (in groups)</td>
<td>20%</td>
</tr>
<tr>
<td>Final Examination (formally scheduled)</td>
<td>45%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

Class Activities/Participation. Relevant activities or exercises are conducted periodically and randomly in class, some of them in small groups, and may require brief written reports to be handed in. Please note that marks are not awarded for mere class attendance, but they require active participation in completing and discussing these assignments. Because of the participative nature of these activities, make-up assignments, or compensation for marks lost due to missed classes, are not provided for any reason. Suggested solutions to participative class assignments are discussed in class, but any material required to be handed in is not returned to students.

Mid-Term Examination. The mid-term examination is approximately 1.5 hours in length and consists of short-answer objective questions, short essay questions, and problems requiring some interpretation and integration of material. The only valid reason for not writing the mid-term examination at the scheduled time is a medical condition, documented with a medical certificate. Reasons such as conflicts with work or travel arrangements are not considered to be valid reasons. Mid-term examinations missed for valid medical reasons are not rescheduled, but the weight of the mid-term examination is transferred to the final examination.

Project Report. The project assignment comprises a comprehensive written report examining a
relevant assigned or preapproved issue, completed in assigned groups. The report should be 10 – 12 pages in length, double spaced, excluding major tables, appendices, and preliminary matter, and be professional in its style and format. The reports are evaluated for both content and style. In writing the report, assume the role of independent management consultants. Hand in two copies of the final report, if you wish a copy to be returned to you.

**Final Examination.** The final examination is comprehensive, covering the material of the entire course. It is three hours in length and consists of short-answer objective questions, short essay questions, and questions requiring interpretation, integration, and application of several concepts. A minimum mark of 45 percent must be obtained on the final examination in order to pass the course.

**EVALUATION AND GRADING POLICY:**

No make-up assignments are available for any term work (participation, assignments, presentations, and reports) missed for any reason. Providing that a student has demonstrated satisfactory in-term performance, the weight of a major component missed for documented medical reasons (but not class participation) may be transferred to the final case examination.

The criteria and standards for **Satisfactory In-term Performance** are as follow:

1. (a) Completion of at least 50% of all term work.
   (b) Achievement of the minimum average grade of 50% on all term work.
2. Unsatisfactory In-term Performance in this course will lead to:
   (a) Failure in this course (regardless of the performance on the Final exam or project)
      Yes [x] No
   (b) FND grade in this course (in case of missed Final exam or project) Yes [x] No

Each group member must complete and hand in a confidential peer evaluation (form available on course WebCT) for each member of his/her group. Unless specifically otherwise documented, the assumption is that each student has contributed equally to all group work in this course (including the case and project). In cases of significantly different evaluations for a group member, the professor may contact the group members for additional information or request a meeting with all group members in order to ensure a fair allocation of group marks.

Each group member must also sign a declaration of academic integrity (form available on course WebCT) and attach a copy to each report handed in for grading.
# Tentative Topical Outline and Schedule:

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Chapter/Readings</th>
<th>Problems in Textbook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 8</td>
<td>Introduction</td>
<td>Chapter 1</td>
<td>N/A</td>
</tr>
<tr>
<td>15</td>
<td>Accounting Under Ideal Conditions</td>
<td>Chapter 2 &amp; Reading #1</td>
<td>10, 17, 19 (Part A only)</td>
</tr>
<tr>
<td>22</td>
<td>Decision Usefulness Approach to Financial Reporting</td>
<td>Chapter 3 &amp; Reading #2</td>
<td>5, 7, 11, 13</td>
</tr>
<tr>
<td>29</td>
<td>Efficient Securities Markets</td>
<td>Chapter 4 &amp; Readings #3</td>
<td>1, 8, 11, 13</td>
</tr>
<tr>
<td>Feb. 5</td>
<td>Information Perspective of Decision Usefulness</td>
<td>Chapters 5 &amp; Reading #4</td>
<td>7, 9, 14, 17</td>
</tr>
<tr>
<td>12</td>
<td>Measurement Perspective of Decision Usefulness</td>
<td>Chapters 6 &amp; Reading #5</td>
<td>6, 12, 13</td>
</tr>
<tr>
<td>18-22</td>
<td>Winter break—no classes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>Mid-term exam Economic Consequences and Positive Accounting Theory</td>
<td>Chapter 8</td>
<td>1, 10</td>
</tr>
<tr>
<td>March 5</td>
<td>Analysis of Conflict</td>
<td>Chapter 9 &amp; Reading #6</td>
<td>8, 10, 12</td>
</tr>
<tr>
<td>12</td>
<td>Executive Compensation and Earnings Management</td>
<td>Chapters 10 and 11</td>
<td>1, 16 (Ch.10); 4, 8 (Ch. 11)</td>
</tr>
<tr>
<td>19</td>
<td>Standard Setting: Economic Issues</td>
<td>Chapter 12 &amp; Reading #7</td>
<td>8, 15, 18</td>
</tr>
<tr>
<td>26</td>
<td>Standard Setting: Political Issues</td>
<td>Chapter 13 &amp; Reading #8</td>
<td>8, 10, 13</td>
</tr>
<tr>
<td>April 2</td>
<td>Governmental Accounting Standards</td>
<td>Readings #9 &amp; Reading #10</td>
<td>Case: IFRS in Government Organizations (on WebCT)</td>
</tr>
<tr>
<td>9</td>
<td>Review Project Reports due</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
GENERAL INFORMATION:

Required calculator in BUSI course examinations
If you are purchasing a calculator, we recommend any one of the following options: Texas Instruments BA II Plus (including Pro Model), Hewlett Packard HP 12C (including Platinum model), Staples Financial Calculator, Sharp EL-738C & Hewlett Packard HP 10bII

Group work
The Sprott School of Business encourages group assignments in the school for several reasons. They provide you with opportunities to develop and enhance interpersonal, communication, leadership, follower-ship and other group skills. Group assignments are also good for learning integrative skills for putting together a complex task. Your professor may assign one or more group tasks/assignments/projects in this course. Before embarking on a specific problem as a group, it is your responsibility to ensure that the problem is meant to be a group assignment and not an individual one.

Medical certificate
Please note that in all occasions that call for a medical certificate you must use or furnish the information demanded in the standard university form. [http://www2.carleton.ca/registrar/forms/](http://www2.carleton.ca/registrar/forms/)

Academic Accommodations for Students with Disabilities
The Paul Menton Centre for Students with Disabilities (PMC) provides services to students with Learning Disabilities (LD), psychiatric/mental health disabilities, Attention Deficit Hyperactivity Disorder (ADHD), Autism Spectrum Disorders (ASD), chronic medical conditions, and impairments in mobility, hearing, and vision. If you have a disability requiring academic accommodations in this course, please contact PMC at 613-520-6608 or pmc@carleton.ca for a formal evaluation. If you are already registered with the PMC, contact your PMC coordinator to send me your Letter of Accommodation at the beginning of the term, and no later than two weeks before the first in-class scheduled test or exam requiring accommodation (if applicable). After requesting accommodation from PMC, meet with me to ensure accommodation arrangements are made. Please consult the PMC website for the deadline to request accommodations for the formally-scheduled exam (if applicable).

Religious observance
Students requesting academic accommodation on the basis of religious observance should make a formal, written request to their instructors for alternate dates and/or means of satisfying academic requirements. Such requests should be made during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist, but no later than two weeks before the compulsory academic event. Accommodation is to be worked out directly and on an individual basis between the student and the instructor(s) involved. Instructors will make accommodations in a way that avoids academic disadvantage to the student. Students or instructors who have questions or want to confirm accommodation eligibility of a religious event or practice may refer to the Equity Services website for a list of holy days and Carleton's Academic Accommodation policies, or may contact an Equity Services Advisor in the Equity Services Department for assistance.

Pregnancy
Pregnant students requiring academic accommodations are encouraged to contact an Equity Advisor in Equity Services to complete a letter of accommodation. The student must then make an appointment to
discuss her needs with the instructor at least two weeks prior to the first academic event in which it is anticipated the accommodation will be required.

**Plagiarism**
The University Senate defines plagiarism in the regulations on instructional offenses as: "to use and pass off as one's own idea or product work of another without expressly giving credit to another."
Borrowing someone else's answers, unauthorized possession of tests or answers to tests, or possession of material designed in answering exam questions, are also subject to university policy regarding instructional offences. For more information on Carleton University's Academic Integrity Policy, consult: [http://www1.carleton.ca/studentaffairs/academic-integrity/](http://www1.carleton.ca/studentaffairs/academic-integrity/)

**Important Dates & Deadlines – Winter 2013**

**January 7, 2013**
Winter-term classes begin.

**January 18, 2013**
Last day for registration for winter term courses.
Last day to change courses or sections for winter term courses.

**January 31, 2013**
Last day for withdrawal from winter term and winter portion of fall/winter courses with full fee adjustment.

**February 1, 2013**
Last day for receipt of applications for admission to the Bachelor of Architectural Studies and the Bachelor of Social Work degree programs for the 2013-14 fall/winter session.

**February 15, 2013**
April examination schedule available online.

**February 15-23, 2013**
Fall-term deferred examinations will be written. Examinations are normally held in the day and evening during the Monday to Saturday period. In exceptional circumstances, it may be necessary to schedule an examination on a Sunday.

**February 18, 2013**
Statutory holiday. University closed.

**February 18-22, 2013**
Winter Break, classes suspended.

**March 1, 2013**
Last day for receipt of applications from potential Spring (June) graduates.

Last day for receipt of applications to the Bachelor of Humanities, Bachelor of Industrial Design, Bachelor of Information Technology (Interactive Multimedia and Design), Bachelor of Journalism, and the Bachelor of Music degree program for the 2013-2014 fall/winter session.

Last day for receipt of applications for admission to a program for the 2013 summer terms.

March 8, 2013

Last day to submit, to the Paul Menton Centre for Students with Disabilities, Formal Examination Accommodation Forms for April examinations.

March 27, 2013

Last day for tests or examinations in courses below the 4000-level before the final examination period (see Examination Regulations in the Academic Regulations of the University section of this Calendar).

March 29, 2013

Statutory holiday. University closed.

April 1, 2013

Last day for receipt of applications for admission to a program (except Bachelor of Architectural Studies, Bachelor of Humanities, Bachelor of Industrial Design, Bachelor of Information Technology (Interactive Multimedia and Design), Bachelor of Journalism, Bachelor of Music, and Bachelor of Social Work, for the 2013-2014 fall/winter session, from candidates whose documents originate outside Canada or the United States.

April 10, 2013

Winter term ends.

All classes follow a FRIDAY schedule.

Last day of fall/winter and winter-term classes.

Last day for academic withdrawal from fall/winter and winter-term courses.

Last day for handing in term work and the last day that can be specified by a course instructor as a due date for term work for fall/winter and winter-term courses.

April 11-12, 2013

Review period. No classes take place.

April 13-27, 2013
Final examinations in winter term and fall/winter courses may be held. It may be necessary to schedule examinations during the day for classes held in the evening and vice versa. In exceptional circumstances, it may be necessary to schedule an examination on a Sunday.

**April 16, 2013**

Winter Co-op Work Term Reports are due.

**April 27, 2013**

All take home examinations are due on this day.