Analysis of Financial Reporting

Course Description

This course is about financial reporting, but not how to report or account for activities. Two key features of the syllabus are the explicit linkage to the research literature and the emphasis on empirical evidence. The adopted approach is largely based on the economics of accounting and finance. The course also aims to introduce students to the theoretical and practical skills required to conduct their own empirical research.

Semester and Year | S1 2016
--- | ---
Mode of Delivery | On campus
Prerequisites | As listed in Programs and Courses
Incompatible Courses | As listed in Programs and Courses
Course Convener | Dr Steven Wu
Office Location | Room 1038, Hanna Neumann Building 21
Phone | 6125 3586
Email | steven.wu@anu.edu.au
Consultation hours: | TBA
Bio and research interests | [https://www.cbe.anu.edu.au/staff/staff/people/?profile=Steven-Wu](https://www.cbe.anu.edu.au/staff/staff/people/?profile=Steven-Wu)
Student Administrators | HN 2037 Hanna Neumann Bld 21 enquiries rsa@anu.edu.au 6125 0025 or 6125 7968 Office hours: Monday – Friday 9-5 pm

COURSE OVERVIEW

Course Learning Outcomes

Upon completion of the course students will have:

1. read widely within the literature concerning the information content of published financial statement and the use of accounting information in contracting
2. demonstrated an understanding of the key issues presented in the above literature and the implications of these issues for accounting research and practice
3. developed rudimentary empirical research skills

Research-Led Teaching

This course is a research-based course, which aims to familiarize students with the contemporary research themes, techniques and outcomes in the financial accounting and capital market area. Students will gain research skills through

1. a systematic review of seminal research papers in various areas of accounting research;
2. class presentations and discussions of a selective list of research outputs;
3. a practical research project that helps students use statistical methods to undertake scientific inquiries.

Continuous Improvement

We use feedback from students, professional bodies and staff to make regular improvements to the course. In response to this feedback, design improvements from the previous version of the course include:

1. Updating the list of readings to incorporate more recent advancement in the literature;
2. Providing more information regarding the development of each research area discussed;
3. Covering new research topics;
4. Expanding in-class discussion into the area of development of potential research topics;
5. Encouraging greater research collaboration in presentation and assignment completion.

Technology, Software, Equipment

Students are expected to develop or improve their skill in using statistical software such as SAS, STATA and SPSS.

Requisites

Students should have successfully completed a unit in financial accounting, a subject in quantitative methods or statistics and a unit in corporate finance (or equivalent). Students with no finance background who elect to study this course will need to devote extra study time to enhance their understanding of the basic principles of finance (particularly financial asset valuation).

Staff Feedback

Students will be given feedback in various ways in this course, including verbal or written feedback on the return of assessment tasks, during class discussion, or during consultation with lecturers and tutors.

Student Feedback

All CBE courses are evaluated using Student Experience of Learning and Teaching (SELT) surveys, administered by Planning and Statistical Services at the ANU. These surveys are
offered online, and students will be notified via email to their ANU address when surveys are available in each course. Feedback is used for course development so please take the time to respond thoughtfully. Course feedback is anonymous and provides the Colleges, University Education Committee and Academic Board with opportunities to recognise excellent teaching and to improve courses across the university. For more information on student surveys at ANU and reports on feedback provided on ANU courses, visit http://unistats.anu.edu.au/surveys/selt/students/ and http://unistats.anu.edu.au/surveys/selt/results/learning/

**Examination material or equipment**

Details regarding materials and equipment that is permitted in an examination room can be found on the ANU website:

http://www.anu.edu.au/students/program-administration/assessments-exams/examination-conduct

Information regarding permitted examination materials for the course will be available on the examination timetable website when the examination timetable is released:

http://timetable.anu.edu.au/

**COURSE SCHEDULE**

<table>
<thead>
<tr>
<th>Week</th>
<th>Summary of Activities</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Introduction &amp; Understanding Statistical Evidence</td>
<td>Topic 1 reading</td>
</tr>
<tr>
<td>2</td>
<td>Accounting Information &amp; Capital Markets</td>
<td>Topic 2 reading</td>
</tr>
<tr>
<td>3</td>
<td>Agency Conflicts &amp; Positive Accounting Theory</td>
<td>Topic 3 reading</td>
</tr>
<tr>
<td>4</td>
<td>Earnings Management</td>
<td>Topic 4 reading</td>
</tr>
<tr>
<td>5</td>
<td>Role of Accruals and the Accrual anomaly</td>
<td>Topic 5 reading</td>
</tr>
<tr>
<td>6</td>
<td>Accounting Conservatism</td>
<td>Topic 6 reading</td>
</tr>
<tr>
<td>7</td>
<td>International Institutional Factors and Financial Regulation</td>
<td>Topic 7 reading</td>
</tr>
</tbody>
</table>

**Mid semester teaching break – Monday 4 April to Friday 15 April**

| 8    | Corporate Reporting Behaviour and information from Various Sources | Topic 8 reading                     |
| 9    | Prediction of Future Cash Flows and Earnings                | Topic 9 reading                     |
| 10   | **Preparation for the practical assignment, No seminar**      | **Due: Assignment**                 |
| 11   | Valuation and Expected Returns                              | Topic 10 reading                    |
| 12   | Security Analysts: role and incentives                       | Topic 11 reading                    |
| 13   | Review                                                      |                                     |
READING LISTS

**Topic 1: (i) Introduction to the course and (ii) Understanding statistical evidence**

Lennox, C. and J. Pittman, 2011, “Voluntary Audits versus Mandatory Audits”, The Accounting Review, 86, 1655-1678 (Examples of statistical analysis employed in this paper will form the basis of this class).

You should also begin reading papers for the following week’s seminar.

**Topic 2: Accounting information and capital markets**


Further reading:


**Topic 3: Agency conflicts and Positive Accounting Theory**


Further reading:


**Topic 4: Earnings management**


Further reading:


**Topic 5: The role of accruals and the accrual anomaly**


**Further reading:**


**Topic 6: Accounting Conservatism**

The role of conservatism in Accounting; An examination of the definition, measurement, testing of conservatism.


**Further reading:**

**Topic 7: International Institutional Factors and Financial Regulation**


**Topic 8: Corporate Reporting Behaviour and Information from Various Sources**


**Topic 9: Prediction of Future Cash Flows and Earnings**


**Further reading:**


**Topic 10: Valuation and Expected Returns**


**Further reading:**


Topic 11: Security Analysts: role and incentives


Further reading:


COURSE ASSESSMENT

Assessment Summary

<table>
<thead>
<tr>
<th>Item</th>
<th>Title</th>
<th>Value</th>
<th>Linked Learning Outcomes</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Practical Research Assignment</td>
<td>30%</td>
<td>1, 3</td>
<td>Seminar 10</td>
</tr>
<tr>
<td>2</td>
<td>Seminar Report and Discussion</td>
<td>25%</td>
<td>1, 2</td>
<td>Weekly</td>
</tr>
<tr>
<td>3</td>
<td>Participation in Seminar</td>
<td>15%</td>
<td>1, 2</td>
<td>Weekly</td>
</tr>
<tr>
<td></td>
<td>Discussion</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Examination</td>
<td>30%</td>
<td>1, 2, 3</td>
<td>During examination period</td>
</tr>
</tbody>
</table>

Assessment Task 1: Practical Research Assignment

Details of task:

The practical research assignment will require you conduct rudimentary empirical research on a sample of real firms. Suggested topics will be provided. Alternatively, you may negotiate a topic with your course coordinator. You will be required to:

- Identify and download a sample appropriate for your purpose
- Manipulate the data in this sample using MS-Excel’s advanced functions
- Import your data to a statistical program such as SPSS, Stata and SAS
- Conduct rudimentary multivariate analysis of your data
- Test the sensitivity of your model to the effect of outliers
• Prepare a professionally presented report detailing your research motivation, method and findings

**Assignment Submission**

A hard copy of the assignment should be submitted to the RSA school office (Room 2037 Hanna Neumann Bld 21) by 4pm on Thursday, 5th May. Assignments must include a cover sheet. Please keep a copy of tasks completed for your records.

**Assessment Task 2: Seminar Report and Discussion**

**Details of task:**

Each student will be required to lead the class discussion on an academic paper in at least one occasion. Depending on enrolments, there may be more than one student assigned to a particular paper. While you are not expected to present a complete 'lecture' on your topic, you should prepare a small number of PowerPoint slides or hand-outs highlighting key issues/tables/equations/diagrams relevant to your readings. For the paper that you are assigned as the discussion leader, you will also be required to submit a written summary of the key issues including critiques considered in the paper. The written submission is due by 12 noon on the day prior to the seminar (email submission is preferred). You will be assessed on your demonstrated understanding of the assigned article(s) and their relevance to key issues studied in this course.

**Assessment Task 3: Participation in Seminar Discussion**

**Details of task:**

You will be awarded a grade reflecting the frequency and quality of your contributions to seminar discussions. This mark is independent of that awarded under Seminar Report and Discussion. Failure to attend classes will affect your participation grade.

During the weeks which you are not allocated as the presenter, you are required to hand in a 1-2 pages (strictly) of summary and critique for one of the papers discussed during class. The quality of the hand-ins will also affect your participation grade.

**Extensions and Penalties**

Extensions and late submission of assessment pieces are covered by the Student Assessment (Coursework) Policy and Procedure.

The Course Convener may grant extensions for assessment pieces that are not examinations or take-home examinations. If you need an extension, you must request it in writing on or before the due date. If you have documented and appropriate medical evidence that demonstrates you were not able to request an extension on or before the due date, you may be able to request it after the due date.

Late submission of assessment tasks without an extension are penalised at the rate of 5% of the possible marks available per working day or part thereof. Late submission of assessment tasks is not accepted after 10 working days after the due date, or on or after the date specified in the course outline for the return of the assessment item.
**Returning Assignments**

Assignments are expected to be returned in class prior to the final exam.

**Examinations**

The final examination will be held during the University's official examination period.

**Scaling**

Your final mark for the course will be based on the raw marks allocated for each assignment or examination. However, your final mark may not be the same number as produced by that formula, as marks may be scaled. Any scaling applied will preserve the rank order of raw marks (i.e. if your raw mark exceeds that of another student, then your scaled mark will exceed the scaled mark of that student), and may be either up or down.

**COMMUNICATION**

**Email**

If necessary, the lecturers and tutors for this course will contact students on their official ANU student email address. Information about your enrolment and fees from the Registrar and Student Services' office will also be sent to this email address.

**Announcements**

Students are expected to check the Wattle site for announcements about this course, e.g. changes to timetables or notifications of cancellations. Notifications of emergency cancellations of lectures or tutorials will be posted on the door of the relevant room.

**Course URLs**

More information about this course may be found on:

- Programs and Courses (http://programsandcourses.anu.edu.au/2016/course/BUSN4007)
- the College of Business and Economics website (https://www.cbe.anu.edu.au/students/student-information/college-courses/) and
- Wattle (https://wattle.anu.edu.au), the University's online learning environment. Log on to Wattle using your student number and your ISIS password.

**POLICIES**

The University offers a number of support services for students. Information on these is available online from http://www.anu.edu.au/students/get-involved

ANU has educational policies, procedures and guidelines, which are designed to ensure that staff and students are aware of the University’s academic standards, and implement them. You can find the University’s education policies and an explanatory glossary at: http://policies.anu.edu.au/
Students are expected to have read the Academic Misconduct Rules 2014 before the commencement of their course. Other key policies include:

- Copyright (http://copyright.anu.edu.au/)