Analysis of Financial Reporting

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.

<table>
<thead>
<tr>
<th>Course URL</th>
<th><a href="http://programsandcourses.anu.edu.au/2017/course/BUSN4007">http://programsandcourses.anu.edu.au/2017/course/BUSN4007</a></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mode of Delivery</td>
<td>On campus</td>
</tr>
<tr>
<td>Prerequisites</td>
<td>N/A</td>
</tr>
<tr>
<td>Incompatible Courses</td>
<td>Incompatible with BUSN8007</td>
</tr>
<tr>
<td>Co-taught Courses</td>
<td>BUSN8007, graduate students attend joint classes with undergraduates but are assessed separately</td>
</tr>
<tr>
<td>Course Convenor</td>
<td>Dr Steven Wu</td>
</tr>
<tr>
<td>Phone</td>
<td>+61 2 6125 3586</td>
</tr>
<tr>
<td>Email</td>
<td><a href="mailto:Steven.wu@anu.edu.au">Steven.wu@anu.edu.au</a></td>
</tr>
<tr>
<td>Office Location</td>
<td>Hanna Neumann Building, Room 1038</td>
</tr>
<tr>
<td>Office hours for student consultation</td>
<td>To be announced on the Wattle course site</td>
</tr>
<tr>
<td>Research Interests</td>
<td><a href="https://www.cbe.anu.edu.au/staff/staff/people/?profile=Steven-Wu">https://www.cbe.anu.edu.au/staff/staff/people/?profile=Steven-Wu</a></td>
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<tr>
<td>-------------------</td>
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</tbody>
</table>
| Student Administration | Room 2037 Hanna Neumann Building 21  
[enquiries.rsa@anu.edu.au](mailto:enquiries.rsa@anu.edu.au)  
+61 2 6125 0025 or 6125 7968  
Office Hours: Monday-Friday 9-5 pm |

**SEMESTER 1**

**2017**
COURSE OVERVIEW

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

Assessment Summary

<table>
<thead>
<tr>
<th>Assessment Task</th>
<th>Value</th>
<th>Due Date</th>
<th>Date for Return of Assessment</th>
<th>Linked Learning Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Practical Research Assignment</td>
<td>30%</td>
<td>Seminar 10</td>
<td>Seminar 12</td>
<td>1, 3</td>
</tr>
<tr>
<td>2. Seminar Report and Discussion</td>
<td>25%</td>
<td>Weekly</td>
<td>Weekly</td>
<td>1, 2</td>
</tr>
<tr>
<td>3. Participation in Seminar Discussion</td>
<td>15%</td>
<td>Weekly</td>
<td>Weekly</td>
<td>1, 2</td>
</tr>
<tr>
<td>4. Examination</td>
<td>30%</td>
<td>During examination period</td>
<td>Result releasing period</td>
<td>1, 2, 3</td>
</tr>
</tbody>
</table>

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 help students use statistical method to undertake scientific inquiries.

Feedback

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

ANU is committed to the demonstration of educational excellence and regularly seeks feedback from students. One of the key formal ways students have to provide feedback is through Student Experience of Learning Support (SELS) surveys. The feedback given in these surveys is anonymous and provides the Colleges, University Education Committee and Academic Board with opportunities to recognise excellent teaching, and opportunities for improvement.

For more information on student surveys at ANU and reports on the feedback provided on ANU courses, go to:

http://unistats.anu.edu.au/surveys/selt/students/ and
http://unistats.anu.edu.au/surveys/selt/results/learning/

Policies

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 Rule before the commencement of their course.

Other key policies include:

- Student Assessment (Coursework) Policy
- Student Assessment (Coursework) Procedure
- Student Surveys and Evaluations
- Copyright (http://copyright.anu.edu.au/)

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/
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: Prediction of Future Cash Flows and Earnings**

Further reading:


**Topic 9: Valuation and Expected Returns**


Further reading:


**Topic 10: Security Analysts: role and incentives**


Further reading:

## 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; Corporate Reporting Behaviour</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 and voluntary disclosures</td>
<td>Topic 6 reading</td>
</tr>
</tbody>
</table>

### Mid semester teaching break

| 7    | International Institutional Factors and Financial Regulation | Topic 7 reading |
| 8    | Prediction of Future Cash Flows and Earnings            | Topic 8 reading  |
| 9    | Valuation and Expected Returns                         | Topic 9 reading  |
| 10   | Discretionary accruals - practical assignment          | Due: Assignment   |
| 11   | Security Analysts: role and incentives                  | Topic 10 reading  |
| 12   | Accounting and capital market, review                    |                    |

### Examination period

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## ASSESSMENT REQUIREMENTS

The ANU is using Turnitin to enhance student citation and referencing techniques, and to assess assignment submissions as a component of the University's approach to managing Academic Integrity. For additional information regarding Turnitin please visit the [ANU Online website](https://www.anu.edu.au/).

Students may choose not to submit assessment items through Turnitin. In this instance you will be required to submit, alongside the assessment item itself, copies of all references included in the assessment item.

### Assessment Task 1: Practical Research Assignment

**Details of task:**

**Value:** 30%

**Requirements:** 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

Estimated return date: Week 12 seminar

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.

Assignment Submission

Online Submission: Assignments are submitted using Turnitin in the course Wattle site. You will be required to electronically sign a declaration as part of the submission of your assignment. Please keep a copy of the assignment for your records.

No submission of assessment tasks without an extension after the due date will be permitted. If an assessment task is not submitted by the due date, a mark of 0 will be awarded.

Returning assignments

Assignment will be returned online.

RESUBMISSION OF ASSIGNMENTS

Resubmission of assignments are not permitted.
REFERENCING REQUIREMENTS

Harvard Referencing

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.

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.

Privacy Notice

The ANU has made a number of third party, online, databases available for students to use. Use of each online database is conditional on student end users first agreeing to the database licensor’s terms of service and/or privacy policy. Students should read these carefully.

In some cases student end users will be required to register an account with the database licensor and submit personal information, including their: first name; last name; ANU email address; and other information.

In cases where student end users are asked to submit ‘content’ to a database, such as an assignment or short answers, the database licensor may only use the student’s ‘content’ in accordance with the terms of service – including any (copyright) licence the student grants to the database licensor.

Any personal information or content a student submits may be stored by the licensor, potentially offshore, and will be used to process the database service in accordance with the licensors terms of service and/or privacy policy.

If any student chooses not to agree to the database licensor’s terms of service or privacy policy, the student will not be able to access and use the database. In these circumstances
students should contact their lecturer to enquire about alternative arrangements that are available.

TUTORIAL / SEMINAR REGISTRATION

No tutorial registration in this course.

SUPPORT FOR STUDENTS

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