Foundations of Accounting

WS 2015/16

Course Outline\(^1\)

(07.09.2015)

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Course Description

This course considers accounting from an information content perspective. In particular, the course formalizes the concepts of uncertainty and information, and constructs a theoretical perspective that treats accounting as a source of information. Thereby, the course covers both financial and managerial accounting.

The main goal of the course is to convey the economic fundamentals of accounting and provide a coherent theoretical framework for analyzing accounting rules and accounting information systems. After participating in the course, students will gain a better understanding of the economic forces that influence the value and relevance of current accounting practices.

Course Structure

The course consists of weekly lectures (2 SWS) and tutorials (4 SWS).

\(^1\) Please pay attention to actual announcements on our website (www.iuc.bwl.uni-muenchen.de).
The lectures and the tutorials are held in English.

During the lectures, theoretical concepts behind accounting will be taught. During the tutorials, you will learn how to apply these concepts to exercises and problems. Moreover, during the tutorials the participants will make a short presentation on an assigned topic. The presentations are intended to facilitate the discussion about the strengths and limitations of accounting analysis and to promote students’ understanding of the efficient use of accounting information.

On the next pages you will find further information on topics and the organization of the lectures and tutorials. We expect you to prepare for the lecture and the tutorial.

For further information, please visit www.iuc.bwl.uni-muenchen.de.

**Assessment**

The evaluation of the course consists of a 120 min. exam at the end of the semester and a short presentation during the tutorials. After successful participation in the course, 9 credit points are obtained.

**Exam**

The 120 min. exam is expected to take place on Wednesday, January 27th 2016, from 17:00 to 19:00 s.t., in the M 018 (main building).

**Presentation**

Students are required to make a presentation of 45 min. (including discussion) in groups of 2 to 3 students during the tutorials. You will find the schedule for presentations, the topics and the corresponding literature at the end of this course outline.

The presentation shall be held in English.

**Enrollment**

The students have to register for the course using the following form. Please use the form to provide your name, matriculation number, and three preferences for presentation topics. We will consider your preferences if possible. If you have any troubles accessing the registration form, please write an e-mail containing your name, matriculation number, and three preferences for presentation topics to hombach@bwl.lmu.de.

You have the option to register for the course individually, or in a group of two students. If you choose individual registration, you will be assigned to a group by the course coordinators. If you would like to work on the presentation with another participant of the course, please indicate the name of your preferred presentation partner in the online form.

Please register for the course no later than 14.10.2015. The registration is binding and, after registration, participation in the course is obligatory.

After registration and, depending on the total number of participants, the final allocation of participants to groups will take place, and each group will be assigned a topic for the presentation.
Lecture

Time slot: Tuesdays, 10:00 – 12:00 c.t.
Room: Main building / Room B 006

Class material

Class material consists of a set of lecture slides, and an e-book version of “Accounting Theory: An Information Content Perspective” by J. A. Christensen and J.S. Demski (2003).

Lecture slides can be found on LSF (lsf.verwaltung.uni-muenchen.de).

The e-book is created especially for this course and contains all chapters from “Accounting Theory: An Information Content Perspective” by J. A. Christensen and J.S. Demski (2003), which will be covered during the course, including exercises. Thus, we strongly recommend purchasing the e-book.

You can purchase the e-book using the following link:

https://create.mheducation.com/shop/#/catalog/details/?isbn=9781121690530

Additional reading material

Lecture Schedule

Please note that the lectures on 14/10, 25/11 and 12/01 will take place in the room M 114 (main building), from 14:00 – 16:00.

<table>
<thead>
<tr>
<th>No.</th>
<th>Date</th>
<th>Description</th>
<th>E-Book</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>13/10</td>
<td>Introduction / The Reporting Organization</td>
<td>Chapters 1 &amp; 2</td>
</tr>
<tr>
<td>2</td>
<td>14/10</td>
<td>Economic Foundations</td>
<td>Chapter 3</td>
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<tr>
<td>3</td>
<td>20/10</td>
<td>Accounting Foundations</td>
<td>Chapter 4</td>
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<tr>
<td>4</td>
<td>27/10</td>
<td>Accounting System as an Information Channel</td>
<td>Chapter 7</td>
</tr>
<tr>
<td>5</td>
<td>03/11</td>
<td>Information in a Valuation Setting</td>
<td>Chapter 8</td>
</tr>
<tr>
<td>6</td>
<td>10/11</td>
<td>Accounting Information in a Valuation Setting</td>
<td>Chapter 9</td>
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<tr>
<td>7</td>
<td>24/11</td>
<td>Accounting and Nonaccounting Information in a Valuation Setting</td>
<td>Chapter 10</td>
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<tr>
<td>8</td>
<td>25/11</td>
<td>Accounting and Nonaccounting Information in a Valuation Setting – Part 1</td>
<td>Chapter 10</td>
</tr>
<tr>
<td>9</td>
<td>15/12</td>
<td>Information in a Managerial Contracting Setting</td>
<td>Chapter 11</td>
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<tr>
<td>10</td>
<td>12/01</td>
<td>Additional Information in a Managerial Contracting Setting</td>
<td>Chapter 12</td>
</tr>
<tr>
<td>11</td>
<td>13/01</td>
<td>Conflict among Uses</td>
<td>Chapter 13</td>
</tr>
<tr>
<td>12</td>
<td>19/01</td>
<td>Institutional Considerations</td>
<td>Chapter 19</td>
</tr>
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| 27/01 | EXAM  | Time slot: 17:00 – 19:00 s.t.  
          | Room: M 018 (main building)                                  |
Tutorial & Presentations

Time slot: Wednesdays, 14:00 – 18:00 c.t.
Room: Main building / Room M 114

Tutorial Schedule

Please note that the tutorials on 17/11 and 01/12 will take place in the room B 006 (main building), from 10:00 – 12:00.

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<th>No.</th>
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<th>Topic</th>
<th>Literature</th>
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<tbody>
<tr>
<td>1</td>
<td>21/10</td>
<td>Modeling Information</td>
<td>Chapter 5</td>
</tr>
<tr>
<td>2</td>
<td>21/10</td>
<td>Modeling Information</td>
<td>Exercises 5.3, 5.6, 5.8</td>
</tr>
<tr>
<td>3</td>
<td>28/10</td>
<td>Information Use at the Individual Level</td>
<td>Chapter 6</td>
</tr>
<tr>
<td>4</td>
<td>28/10</td>
<td>Information Use at the Individual Level</td>
<td>Exercises 6.8, 6.11, 6.12</td>
</tr>
<tr>
<td>5</td>
<td>04/11</td>
<td>The Reporting Organization</td>
<td>Appendix to Chapter 2, Exercises 2.5, 2.6, 2.10, 2.11, 2.12</td>
</tr>
<tr>
<td>6</td>
<td>11/11</td>
<td>Economic Foundations</td>
<td>Exercises 3.5, 3.7, 3.8</td>
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<td>7</td>
<td>17/11</td>
<td>Accounting Foundations</td>
<td>Exercises 4.3, 4.4, 4.7</td>
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<td>8</td>
<td>18/11</td>
<td>The Accounting System as an Information Channel</td>
<td>Exercises 7.8, 7.9, 7.10</td>
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<tr>
<td>9</td>
<td>01/12</td>
<td>Information in a Valuation Setting</td>
<td>Exercises 8.5, 8.6, 8.7, 8.8</td>
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<tr>
<td>10</td>
<td>02/12</td>
<td>Accounting Information in a Valuation Setting</td>
<td>Exercises 9.6, 9.7, 9.12</td>
</tr>
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<td>11</td>
<td>09/12</td>
<td>Information in a Managerial Contracting Setting</td>
<td>Exercises 11.4, 11.9, 11.14</td>
</tr>
<tr>
<td>12</td>
<td>20/01</td>
<td>Additional Information in a Managerial Contracting Setting</td>
<td>Exercises 12.3, 12.6, 12.7, 12.8</td>
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## Schedule for Presentations

<table>
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<th>No.</th>
<th>Date</th>
<th>Topic</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>04/11</td>
<td>(1) Accounting for Decision Making&lt;br&gt;(2) Information Use at the Individual Level</td>
</tr>
<tr>
<td>3</td>
<td>18/11</td>
<td>(5) Financial Reporting in Different Institutional Environments&lt;br&gt;(6) Income Measurement as a Source of Information</td>
</tr>
<tr>
<td>4</td>
<td>25/11</td>
<td>(7) Information in a Valuation Setting&lt;br&gt;(8) Information Asymmetry in Capital Markets</td>
</tr>
<tr>
<td>5</td>
<td>02/12</td>
<td>(9) Strategic Disclosure – Foundations&lt;br&gt;(10) Strategic Disclosure – Empirical Applications</td>
</tr>
<tr>
<td>6</td>
<td>09/12</td>
<td>(11) Accounting Information in a Valuation Setting&lt;br&gt;(12) Disclosure and the Cost of Capital</td>
</tr>
<tr>
<td>7</td>
<td>13/01</td>
<td>(13) Performance Evaluation – Empirical Evidence&lt;br&gt;(14) Earnings Management</td>
</tr>
<tr>
<td>8</td>
<td>20/01</td>
<td>(15) Real Earnings Management – Empirical Evidence&lt;br&gt;(16) Value Relevance Debate</td>
</tr>
</tbody>
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Topics for Presentation

Foundations

(1) Accounting for Decision Making

(2) Information Use at the Individual Level

(3) Classical and Accounting Foundations

(4) Conceptual Frameworks of Financial Reporting

(5) Financial Reporting in Different Institutional Environments

The Accounting System as an Information Channel

(6) Income Measurement as a Source of Information
Accounting Information in a Valuation Setting

(7) Information in a Valuation Setting


(8) Information Asymmetry in Capital Markets


(9) Strategic Disclosure – Foundations


(10) Strategic Disclosure – Empirical Applications


(11) Accounting Information in a Valuation Setting


(12) Disclosure and the Cost of Capital

Information in a Managerial Contracting Setting

(13) Performance Evaluation – Empirical Evidence


(14) Earnings Management


(15) Real Earnings Management – Empirical Evidence


Conflict among Uses and Institutional Considerations

(16) Value Relevance Debate
