

PGR Course unit outline 2022/23

Unit code:	BMAN 80271
Title:	Advanced Financial Accounting Theory
Credit value:	15
Semester:	1
Course Coordinator contact details:	Dr George Voulgaris, Georgios.Voulgaris@manchester.ac.uk
Other staff involved contact details:	Dr Patrick Ryu, Patrick.Ryu@manchester.ac.uk
Pre-requisites Co-requisites Dependent course units Restrictions	NA

Course unit overview

The unit will help the students critically engage and understand some of their main theoretical areas that underpin research in financial accounting.

The course covers four topics as follows:

- The social value of (mandatory) financial disclosure
- Voluntary financial disclosure
- The role of regulation in accounting research
- Agency and contracting theory

Aims

The course covers key theoretical areas of financial accounting research. It provides a crucial link to the literature for students seeking to strengthen the theoretical foundations of their empirical research. The underlying perspective is an economic one and implicitly assumes a financial market setting defines the corporate financial information environment.

Objectives (Learning outcomes)

On completion of this unit successful students will be able to:

- Demonstrate knowledge of the key theoretical concepts in financial accounting research
- Advance their ability to critically assess prior academic literature
- Enhance their research paper writing skills.
- Enrich their discussion and communication skills

Syllabus content

The unit will help the students critically engage and understand some of their main theoretical areas that underpin research in financial accounting.

The course covers four topics as follows:

- The social value of (mandatory) financial disclosure

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Voluntary financial disclosure The role of regulation in accounting research Agency and contracting theory	
Methods of delivery	
Lectures	4 weeks of 3-hour sessions in a lecture format
Seminar/Tutorial/Workshop/Lab Hours	4 weeks of 2-hour seminar sessions
Independent Study	130 hours
Total Study Hours	150 hours
Reading List	
<p>For each topic, the lecturers will be providing a list of reading and resources as part of the lecture notes. Some indicative readings for each topic are provided below:</p> <p>Mandatory disclosure</p> <ul style="list-style-type: none"> • Beyer, A., Cohen, D.A., Lys, T.Z., Walther, B.R., 2010. The financial reporting environment: review of the recent literature. <i>Journal of Accounting and Economics</i> 50, 296–343 • Christensen, P.O., Feltham, G.A., 2003. <i>Economics of Accounting, Volume I—Information in Markets</i>. Kluwer • Strong, N.C., Walker, M., 1987. <i>Information and Capital Markets</i>. Basil Blackwell. Chs.2–5 • Goldstein, I., Yang, L., 2017. Information disclosure in financial markets. <i>Annual Review of Financial Economics</i> 9, 101–125 • Goldstein, I., Yang, L., 2019. Good disclosure, bad disclosure. <i>Journal of Financial Economics</i> 131, 118–138 <p>Voluntary Disclosure</p> <ul style="list-style-type: none"> • Acharya, V.V., DeMarzo P., Kremer, I., 2011. Endogenous information flows and the clustering of announcements, <i>American Economic Review</i> 101, 2955–2979 • Bagnoli, M., Watts, S.G., 2007. Financial reporting and supplemental voluntary disclosures. <i>Journal of Accounting Research</i> 45, 885–913 • Beyer, A., Cohen, D.A., Lys, T.Z., Walther, B.R., 2010. The financial reporting environment: review of the recent literature. <i>Journal of Accounting and Economics</i> 50, 296–343 • Beyer, A., Guttman, I., 2012. Voluntary disclosure, disclosure bias, and real effects. <i>Journal of Accounting Research</i> 50, 1141–1177 • Christensen, P.O., Feltham, G.A., 2003. <i>Economics of Accounting, Volume I—Information in Markets</i>. Kluwer. Chs 1 and 14 • Dye, R.A., 2001. An evaluation of “Essays on disclosure” and the disclosure literature in accounting. <i>Journal of Accounting and Economics</i> 32, 181–235 • Guttman, I., Kremer, I., Skrypacz, A., 2014. Not only what but also when: a theory of dynamic voluntary disclosure, <i>American Economic Review</i> 104, 2400–2420 • Jung, W., Kwon, Y.K., 1988. Disclosure when the market is unsure of information endowment of managers. <i>Journal of Accounting Research</i> 26, 146–153 • Kim, J.M., Taylor, D.J., Verrecchia, R.E., 2020. Voluntary disclosure when private information and proprietary costs are jointly determined. Working paper • Newman, P., Sansing, R., 1993. Disclosure policies with multiple users. <i>Journal of Accounting Research</i> 31, 92–112 • Stocken, P.C., 2012. Strategic accounting disclosure. <i>Foundations and Trends in Accounting</i> 7, 197–291 • Verrecchia, R.E., 2001. Essays on disclosure. <i>Journal of Accounting and Economics</i> 32, 97–180 	

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Regulation and Accounting Research

- Admati, A.R. and Pfleiderer, P., 2000. Forcing firms to talk: Financial disclosure regulation and externalities. *The Review of financial studies*, 13(3), pp.479-519.
- Baldwin, R., Cave, M. and Lodge, M., 2012. *Understanding regulation: theory, strategy, and practice*. Oxford University Press
- Ball, R., Kothari, S.P. and Robin, A., 2000. The effect of international institutional factors on properties of accounting earnings. *Journal of accounting and economics*, 29(1), pp.1-51.
- Blazenko, G.W. and Scott, W.R., 1986. A model of standard setting in auditing. *Contemporary Accounting Research*, 3(1), pp.68-92.
- Bushman, R., Engel, E. and Smith, A., 2006. An analysis of the relation between the stewardship and valuation roles of earnings. *Journal of Accounting Research*, 44(1), pp.53-83.
- Bushman, R.M. and Piotroski, J.D., 2006. Financial reporting incentives for conservative accounting: The influence of legal and political institutions. *Journal of accounting and economics*, 42(1-2), pp.107-148.
- Christensen, H.B., Hail, L. and Leuz, C., 2013. Mandatory IFRS reporting and changes in enforcement. *Journal of Accounting and Economics*, 56(2-3), pp.147-177.
- Darrough, M.N. and Stoughton, N.M., 1990. Financial disclosure policy in an entry game. *Journal of accounting and economics*, 12(1-3), pp.219-243
- Ekern, S. and Wilson, R., 1974. On the Theory of the Firm in an Economy with Incomplete Markets. *The Bell Journal of Economics and Management Science*, pp.171-180.
- Hofstede, G., 1980. Culture and organizations. *International Studies of Management & Organization*, 10(4), pp.15-41.
- Laffont, J.J. and Tirole, J., 1993. A theory of incentives in regulation and procurement.
- Lambert, R., Leuz, C. and Verrecchia, R.E., 2007. Accounting information, disclosure, and the cost of capital. *Journal of accounting research*, 45(2), pp.385-420.
- La Porta, R., Lopez-de-Silanes, F., Shleifer, A. and Vishny, R.W., 1997. Legal determinants of external finance. *The journal of finance*, 52(3), pp.1131-1150.
- Stigler, G.J., 1971. The theory of economic regulation. *The Bell journal of economics and management science*, pp.3-21.

Agency and Contracting Theory

- Armstrong, C.S., Guay, W.R. and Weber, J.P., 2010. The role of information and financial reporting in corporate governance and debt contracting. *Journal of accounting and economics*, 50(2-3), pp.179-234.
- Brickley, J., Smith, C. and Zimmerman, J., 2015. *Managerial economics and organizational architecture*. McGraw-Hill Education.
- Jensen, M. C., and W. H. Meckling. 1976. Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics* 3 (4):305-360.
- Jensen, M.C. and Smith, C.W., 2000. Stockholder, manager, and creditor interests: Applications of agency theory. Available on https://papers.ssrn.com/sol3/papers.cfm?abstract_id=173461
- Hart, O., 1989. Economist's Perspective on the Theory of the Firm, *An. Columbia Law Review*, 89, p.1757-1774
- Hölmstrom, B., 1979. Moral hazard and observability. *The Bell journal of economics*, pp.74-91.
- Holmstrom, B., 1982. Moral hazard in teams. *The Bell Journal of Economics*, pp.324-340.
- Lambert, R.A., 1983. Long-term contracts and moral hazard. *The Bell Journal of Economics*, pp.441-452.
- Kothari, S.P., Ramanna, K. and Skinner, D.J., 2010. Implications for GAAP from an analysis of positive research in accounting. *Journal of Accounting and Economics*, 50(2-3), pp.246-286.
- Lambert, R.A., 2001. Contracting theory and accounting. *Journal of accounting and economics*, 32(1-3), pp.3-87.

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- Milgrom, P. and Roberts, J., 1995. Complementarities and fit strategy, structure, and organizational change in manufacturing. *Journal of accounting and economics*, 19(2-3), pp.179-208.
- Paul, J.M., 1992. On the efficiency of stock-based compensation. *The Review of Financial Studies*, 5(3), pp.471-502.
- Roberts, J., 2007. *The modern firm: Organizational design for performance and growth*. Oxford university press.
- Scott, W.R. and O'Brien, P.C., 2020. *Financial accounting theory*, 8th edition. Toronto: Prentice hall.
- Roychowdhury, S., Shroff, N. and Verdi, R.S., 2019. The effects of financial reporting and disclosure on corporate investment: A review. *Journal of Accounting and Economics*, 68(2-3), p.101246.

Assessment

Mode of Assessment	Length required	Weighting within unit
Write a term paper that summarizes and demonstrates your knowledge and understanding of each of the four topics from the course.	8 A4 pages	100%
Resits: Please indicate how a resit in your unit will be assessed (ie exam only, or coursework).	Same as above	Same as above

Feedback methods

Summative feedback will be provided within 15 working days of the formal submission of assignments.

Feedback from students

In addition to the course unit evaluation questionnaire, students are encouraged to give feedback through emails and conversations at any time, and using the online questionnaire near the end of the semester

Social Responsibility

AMBS aims for our graduates to develop not only academic and professional skills, but also a sense of social, ethical and environmental responsibility towards the societies of which they are part. Please give details of how social responsibility is addressed in your course unit by highlighting any knowledge or skills that support students' social and ethical understanding and conduct.

Issues related to corporate social responsibility will be covered and discussed as part of the topics that the course is covering

Please indicate by ticking the box(es) below, which specific aspect of SR your module is linked to:

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A UN SDGs*

Environmental Sustainability

Other (please specify)

Corporate Social Responsibility and Governance

** If a UN SDG, please note which one by reviewing the list [here](#)*

For additional support on how embed SR into your module, please review the resources here:

<https://documents.manchester.ac.uk/DocuInfo.aspx?DocID=51837>

<https://documents.manchester.ac.uk/DocuInfo.aspx?DocID=47017>