

School of Accounting and Finance
AFM 401: Accounting Theory
Fall 2014
Course Syllabus

Course Instructor:

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Office hours:	2:30-4:00 MW or by appointment

Course Description:

A review of accounting theory as a background for applying accounting concepts to current financial accounting issues. Emphasis is on current literature.

Class Schedule:

Section	Time	Location
1	8:30 - 9:50 MW	HH 2107
2	10:00 - 11:20 MW	HH 2107
3	8:30 - 9:50 TTh	HH 1108
4	10:00 - 11:20 TTh	HH 1108
5	2:30 - 3:50 TTh	HH 1108

Course Goals:

This course is intended to:

- obtain greater understanding of the investment decision making and managerial stewardship uses of accounting information;
- examine consequences of mandatory accounting policies on firms' decisions;
- examine properties of accounting numbers prepared using different measurement bases, such as historical cost accounting, current value accounting, and present value accounting;
- assess reasons why managers choose certain accounting methods, accounting policies, and corporate disclosures over other choices;
- obtain greater understanding of accounting concepts such as relevance and reliability, conservatism, sensitivity, precision, and earnings quality.
- improve your understanding of the use of financial accounting information in the market economy;

Course Resources:

- Scott, William R.. *Financial Accounting Theory*. 7th edition. Toronto: Pearson Canada, 2015.
- Waterloo LEARN: LEARN is used to communicate information such as the course syllabus, detailed class schedule, weekly class material, assignment material, and exam material.
- Readings: The course readings are available through eReserves. There is a link to the eReserves on

the course page in LEARN.

- Online questions: The primary way to ask questions about course content is through the course page on Piazza. Questions related to course content should be posted to Piazza rather than being sent by email to the instructor. Posts on this board are visible to all students in all sections of the course, so should not contain anything personal in nature. You have the option of posting questions to this board anonymously. Questions posted to this board may be answered by another student or by the instructor. The course page is available at: [Piazza - AFM 401](#).
- Email: Feel free to email suggestions, thoughts or comments or any items of a personal nature that are not appropriate for an online discussion. If your questions/comments are more appropriate for the discussion board, I will ask you to post them to Piazza.

Assessment:

Assessment Method	Date	Percent of Total Grade
Group Assignment	September 19, November 7	10%
Class Contribution	throughout the term	10%
Mid-term Examination	Friday, October 24	30%
Final Examination	Scheduled by Registrar's Office	50%
		100%

Group Assignment:

Groups consist of five people and students may determine the members for their group. The group members must be enrolled through LEARN on or before Friday, September 19. The assignment must be submitted on or before 1:00 pm on Friday, November 7. The penalty for late assignments will be to reduce the grade by up to 20 marks (i.e., based on a 100 point scale) per day (i.e, 24 hour period).

Information about content of the assignment, formation of the groups, enrolling the group, and submission of the assignment is available in the Assignment section on LEARN.

The assignment must be the work of the members of the individual group. All members of the group *normally* receive the group's grade for the assignment. Should any significant teamwork issues arise, see the professor as soon as the issue occurs, not after the assignment has been submitted. Students may talk to the professor but must complete the assignment within their group.

Class Contribution:

Your class contribution will be tracked for each class. A component of your grade will be based on the contributions that you make voluntarily during class discussions. To encourage preparation for class and class attendance, students will be randomly called upon to answer questions related to the assigned problems and readings. Positive contribution includes good answers to the random questions, constructive extension of the classroom discussion, and constructive responses to discussions on Piazza. Note that contribution can be negative as well as positive. Negative contribution also will be taken into account and include: arriving late, interrupting class, not being prepared, not showing respect for the instructor or classmates, and allowing cell phones, PDAs, or computers to disrupt the class.

Three students will be randomly selected each class to assist in tracking class contribution. This will be considered to be contribution for these students for that class.

Permanent seating will be used to assist in evaluating class contribution. You will be asked to record your seating location during class on Wednesday, September 10, and will be expected to use that seat for the remainder of the term. Students are expected to use their name cards throughout the term. Please note that you must attend your assigned section to obtain credit for class contribution.

Mid-term and Final Examinations:

You should expect to be tested on all material including the text, course readings, and classroom discussions.

A mid-term examination of 90 minutes duration is scheduled for **Friday, October 24, from 4:30 pm to 6:00 pm**. The locations will be announced later. **Note that students must write the examination in the assigned location.** The material to be covered on the mid-term examination will be announced on LEARN. Written requests for re-grading the mid-term examination must be made **within one week after the examination has been returned.** A written request must be submitted indicating your reasons for believing that a question was improperly graded. The instructor reserves the right to re-grade the entire examination.

The final examination will be two and one-half hours duration and will be scheduled by the Registrar's Office during the **Fall term examination period** (December 4 to 19). The final examination is comprehensive, covering material throughout the course. *"Faculty of Arts policy provides that students who wish to review their final examination papers informally may do so without instituting a formal appeal procedure. Such review will take place under supervised access only, and will be arranged in a way that is mutually convenient for the instructor and the student."*

A student must pass the weighted average of the mid-term and final examinations in order to pass the course.

Students must bring photo identification (preferably their Watcard) to the mid-term and final examinations. If a student starts to write an examination without photo identification, the examination will not be graded and a mark of 0 will be assigned.

All examinations must be the exclusive work of the individual student.

Course Policies:

Release of Grades:

Grades will be released through the term on LEARN. The grade for the course will be available on Quest after the final examination period ends.

Turnitin Policy:

Plagiarism detection software (Turnitin) will be used to screen assignments in this course. This is being done to verify that use of all materials and sources in assignments is documented.

The specific arrangements for the use of Turnitin in this course will be explained during the first week of classes. However, the basic characteristics will be: (1) Groups will submit their assignment to Turnitin

through LEARN for screening, unless they indicate that they do not wish to have that done; and, (2) if a group chooses not to have their assignment screened by Turnitin, an alternative arrangement will be made in advance of any submission. The alternative could include providing an annotated bibliography for all references used and/or providing an original copy of ALL rough drafts of the assignment, along with the version submitted.

School of Accounting & Finance Policies:

Accommodations for Missed Assessments:

Students are expected to complete all course assessments and write their examinations as regularly scheduled; however, there may be circumstances where accommodating a missed assessment is approved. Accommodation is not automatic upon the presentation of documentation. Instructors will use the documentation along with all information available to them, when determining whether accommodation is warranted. Please note, there will not be deferred mid-term or final exams for this course.

Based on an approved absence, the weighting of the final exam will be adjusted to make up for an excused absence from the mid-term exam. If you are excused from the final exam due to an approved absence, you will be required to write the exam the next time the course is offered. At the end of the current term you will receive an INC course grade. When you have written the final exam, a grade revision will be submitted based on the results of the final exam and your other course work. Failure to write the deferred exam the next time the course is offered will result in a course grade based on the elements of the course that you completed.

Documentation Requirements Supporting Requests for Accommodation:

UW's policy regarding documentation to support requests for accommodation due to illness can be found at the Registrar's Office - [Accommodation due to illness](#). To support requests for accommodation due to illness, students should seek medical treatment and then provide a completed *University of Waterloo Verification of Illness Form*. This form is normally the only acceptable medical documentation and is available on line at Health Services - [Verification of Illness form](#). For other requests for accommodations, such as death of a family member, appropriate documentation should be provided within a reasonable time period. Students who miss the final exam also must provide the *Faculty of Arts Incomplete Grade Agreement Form* which is available on line at the Arts Undergraduate Office - [Incomplete Grade Agreement Form](#).

- Non-School of Accounting and Finance students should provide supporting documentation to the instructor **within 2 working days of the missed assessment**.
- School of Accounting and Finance students should provide supporting documentation to the SAF Undergraduate Coordinator, Carol Treitz at HH 3156 (if the Undergraduate Coordinator is not available, the documentation should be provided to the receptionist in the Program Office), **within 2 working days of the missed assessment**. School of Accounting and Finance students must also complete and submit the *SAF Request for Exam Accommodation Form* (mid-term or final exams) in addition to the supporting documentation noted above. This form can be obtained from the SAF Undergraduate Coordinator at HH 3156. All forms must include student name, ID number, course number of missed examination, and instructor's name. The SAF Undergraduate Coordinator will complete the bottom section of the *SAF Request for Exam Accommodation Form*, and provide a copy to the instructor. The Coordinator will maintain a record of missed exams by student (name, ID #), so

that unusual situations can be identified and addressed.

Recording of Lectures:

The SAF recognizes that recording (e.g., audio, video) a class for the purpose of private study may be a useful learning tool. Any student wanting to record (in whole or part) a lecture is required to seek the consent of the instructor before doing so and the instructor may, at her/his discretion, decline. Where recording is required as part of disability accommodation the instructor is to be advised through provision of the appropriate AccessAbility Services paperwork. In the event that consent is given by an instructor, unless otherwise stated in writing, the consent for recording is strictly limited to the purpose of private/personal study and for no other reason (e.g., loaning the recording or reproducing a copy for another student, contesting grading, posting in whole or part online, etc.). Any failure to abide by these requirements is a violation of the university's academic integrity requirements and is subject to proceedings under [Policy 71, Student Discipline](#).

University Policies:

Academic Integrity:

In order to maintain a culture of academic integrity, members of the University of Waterloo community are expected to promote honesty, trust, fairness, respect, and responsibility. Information is available at:

- [Academic Integrity Office \(uWaterloo\)](#)
- [Academic Integrity website \(Arts\)](#).

Discipline:

A student is expected to know what constitutes academic integrity, to avoid committing academic offences, and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offence, or who needs help in learning how to avoid offences (e.g., plagiarism, cheating) or about “rules” for group work/collaboration should seek guidance from the course professor, academic advisor, or the Undergraduate Associate Dean. When misconduct has been found to have occurred, disciplinary penalties will be imposed under Policy 71 – Student Discipline. For information on categories of offences and types of penalties, students should refer to [Policy 71 - Student Discipline](#).

Grievance:

A student who believes that a decision affecting some aspect of his/her university life has been unfair or unreasonable may have grounds for initiating a grievance. Read [Policy 70 - Student Petitions and Grievances](#), Section 4.

Appeals:

A student may appeal the finding and/or penalty in a decision made under Policy 70 - Student Petitions and Grievances (other than regarding a petition) or Policy 71 - Student Discipline if a ground for an appeal can be established. Read [Policy 72 - Student Appeals](#).

Academic Offenses and Implications:

Students majoring in accounting programs at UW should be aware that, due to the highly structured nature of the study plans and the fact that many AFM courses are offered on a limited basis, a penalty imposed as a result of an academic offence could result in a significant delay of the student's degree

completion and convocation dates - particularly if the penalty involves a suspension.

Violation of Standards by Another Student:

Allowing another student to obtain course marks by deceit contributes to a general lowering of the ethical standards of the University and contributes to deception of potential employers and other academic institutions. Thus, you have an obligation to take some action when you know another student is violating the course's academic integrity standards. This is a difficult personal trial to face, but it is an important part of your ethical obligation as a student. If you know that another student is violating the standards, it is your responsibility to inform the student's instructor. This requirement closely parallels those found in the standards of conduct of all of the professional accounting bodies in Canada (see, for example, the Institute of Chartered Accountants of Ontario, *Rules of Professional Conduct*, section 211).

Accommodation for Students with Disabilities:

The [AccessAbility Services](#) office, located in Needles Hall Room 1132, collaborates with all academic departments to arrange appropriate accommodations for students with disabilities without compromising the academic integrity of the curriculum. If you require academic accommodations to lessen the impact of your disability, please register with the AS office at the beginning of each academic term.

Course Schedule

Week Begins	Topic	Textbook Reading	Readings	Classroom Problems
Sept. 8	Introduction / Accounting Under Ideal Conditions	1, 2	A Learning Secret: Don't Take Notes with a Laptop Pension Drag on Earnings May Reverse	16, 19, 23
Sept. 15	The Decision Usefulness Approach	3	Firms Brace for Write-Downs	1, 6, 8, A3
Sept. 22 & 29	Efficient Securities Markets	4	Twitter's Shady Accounting Gets Shadier	3, 5, 9, 11
Oct. 6	The Value Relevance of Accounting Information	5	Speed Traders Get an Edge	9, 17
Oct. 13	The Measurement Approach	6		6, 11, 14
Oct. 20	Measurement Applications	7	Charles Lee: Why Fair-Value Accounting Isn't Fair	2, 9, 14, A7
Oct. 27	Efficient Contracting Approach	8	According to Game Theory	8, 10, A8
Nov. 3	An Analysis of Conflict	9	As Companies Step Up Buybacks, Executives Benefit, Too	8, 10, 15
Nov. 10	Executive Compensation	10	No More Executive Bonuses!	2, 7, 12
Nov. 17	Earnings Management	11	Companies Using "Missing Months" to Play Accounting Tricks	4, 16, 18
Nov. 24	Standard Setting	12, 13	EU Seeks to Increase Influence on Global Accounting Rules Former SEC Chairman Cox Now Doubts IFRS in U.S.	Ch 12-7, 13 Ch 13-7, 8

Note: **The dates are approximate**; check LEARN on an ongoing basis for current information regarding starting dates for each topic. Problems numbered A* (e.g., A3 in the week beginning Sept. 15) are available on LEARN.