

Accounting and Capital Markets

Module		Accounting and Capital Markets					
Module Code		ACC60100					
Module Coordinator		Werner, Jörg R.					
Last Update		2015/12/09					
Target Group		Programme(s)			Bachelor of Science		
		Term			6th semester		
		Compulsory/Elective Module			Compulsory Electives Module		
		Module Duration			1 Semester		
		Credits:			6		
		Frequency			Annually		
		Language of instruction			English		
Workload:	150 h	Contact hours:	44 h	Independent Learning:	50 h	Assignments:	56 h
Prerequisites		Successful participation in first semester accounting module.					
Usability in other Modules/Programmes		-					
Intended Learning Outcomes		<p>Knowledge:</p> <ul style="list-style-type: none"> Participants will acquire factual knowledge of recent IASB/FASB standard setting projects and about additional disclosure regulation in the European framework for listed companies. Moreover, participants will acquire theoretical knowledge about the uses of accounting, why accounting standards and market regulation will impact accounting quality and how disclosed information is processed on capital markets. <p>Skills:</p> <ul style="list-style-type: none"> Students will be able to develop research questions in the field of accounting and acquire skills, first, in data collection and analysis and, second, in the application of fundamental theories, concepts and methods to assess the economic consequences of proposed or given accounting standards. <p>Competencies:</p> <ul style="list-style-type: none"> Students will further their competences to analytically and critically assess accounting standards and regulations, and to derive and present their judgment from profound economic analysis. They will be competent in assessing the likely economic consequences of firm-level accounting treatments, i.e. the exertion of accounting choice and discretion. The module will provide students with relevant theoretical and practical knowledge for careers in accounting, auditing or financial analysis. 					

Module Structure	<p>In the first part, the module will provide the relevant context, shedding light on the functions and uses of accounting, enforcement (oversight and auditing) as means to the end of assuring accounting quality and by discussing some recent projects on the agenda of standard setters and regulators. Also, small projects will be assigned to groups of students in the first part. The second part provides the theoretical foundations, mainly by discussing theories explaining the relevance and the properties of accounting information. We will also shed light on what is deemed the classical trade-off in accounting between relevance and reliability. In the third part, the module covers some technical aspects of how to assess the economic consequences of accounting (standards) and discuss some recent papers. In the fourth and final part, groups of students will present their findings when analysing the economic consequences of a current topic in accounting, enforcement or auditing.</p>
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Module Overview	<p>Accounting is one of the rare sources of company-specific financial information publicly available to external stakeholders such as debt and equity investors. International standard setters such as the IASB therefore increasingly focus on the decision usefulness of accounting information for these groups of users. The rise of fair value accounting, increased disclosure requirements and strengthened enforcement mechanisms are notable outcomes of this development. But there are also many concerns: Did current accounting rules and practices contribute to the emergence of market bubbles and the recent financial crisis? Do we need more conservative financial reporting? Does the current one size fits it all approach still make sense – or do we rather need industry-specific accounting standards? To allow students to answer these and other questions, this module aims at introducing the theoretical foundations of how and why market participants react to the disclosure of financial accounting information, including brief discussions of accounting-based valuation and the issue of accounting “quality”. Moreover, the role of auditors and other enforcement mechanisms for financial markets is illustrated. The module also covers in-depth discussions of some current technical topics (e.g., accounting for financial instruments, insurance contracts).</p> <p>The module is structured as follows (11 sessions in total):</p> <p>I Context</p> <ol style="list-style-type: none"> 1) To which question(s) does accounting provide the answer(s)? 2) EU enforcement as a complement: market oversight and statutory audits 3) Discussion of recent standard setting projects and other regulatory reforms <p>II Theoretical foundations</p> <ol style="list-style-type: none"> 4) Theories about the relevance of accounting information 5) Theories about the properties of accounting information 6) The classical trade-off between relevance and reliability <p>III How to assess the economic consequences of accounting</p> <ol style="list-style-type: none"> 7) Technical issues: how to collect data, what to consider in data analysis 8) Discussion of some recent findings in accounting research 9) Discussion of some recent findings in auditing research <p>IV Discussion</p> <ol style="list-style-type: none"> 10) Group presentations (first part) 11) Group presentations (second part) and conclusions
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Forms of teaching, methods and support	<p>Class sessions will combine traditional and interactive lectures with exercises. Students will also participate in hands-on data analysis and will be required to present their findings regarding the economic consequences of disclosure regulation (group work). Students will be asked to prepare for the sessions by reading the relevant literature and by solving some exercises assigned in advance. In one of the first sessions, we will form groups of about 4-5 students and assign a topic to each of the groups which (in most cases) has to be solved by means of empirical data analysis. The group work will impose developing a research question and/or hypotheses related to the given topic based on theory and previous literature. In the last two sessions, students will present their findings and will receive feedback from participants and lecturers which they may address before handing in a final report at the end of the semester.</p>																							
Type of Assessment in the Module and Performance Points	<table border="1"> <thead> <tr> <th data-bbox="480 808 700 887">Type of examination</th> <th data-bbox="700 808 935 887">Duration or length</th> <th data-bbox="935 808 1155 887">Performance points</th> <th data-bbox="1155 808 1375 887">Due date or date of exam</th> </tr> </thead> <tbody> <tr> <td data-bbox="480 887 700 943">Oral exam</td> <td data-bbox="700 887 935 943"></td> <td data-bbox="935 887 1155 943">40</td> <td data-bbox="1155 887 1375 943">End of semester</td> </tr> <tr> <td data-bbox="480 943 700 1021">Group project: report</td> <td data-bbox="700 943 935 1021"></td> <td data-bbox="935 943 1155 1021">20</td> <td data-bbox="1155 943 1375 1021">End of semester</td> </tr> <tr> <td data-bbox="480 1021 700 1099">Group project: presentation</td> <td data-bbox="700 1021 935 1099"></td> <td data-bbox="935 1021 1155 1099">40</td> <td data-bbox="1155 1021 1375 1099">During semester</td> </tr> <tr> <td data-bbox="480 1099 700 1178">Active participation</td> <td data-bbox="700 1099 935 1178"></td> <td data-bbox="935 1099 1155 1178">20</td> <td data-bbox="1155 1099 1375 1178">During semester</td> </tr> </tbody> </table>				Type of examination	Duration or length	Performance points	Due date or date of exam	Oral exam		40	End of semester	Group project: report		20	End of semester	Group project: presentation		40	During semester	Active participation		20	During semester
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Recommended Literature	<p><i>Basic literature</i></p> <ul style="list-style-type: none"> • Ball, Ray and Brown, Philip (1968): An Empirical Evaluation of Accounting Income Numbers. <i>Journal of Accounting Research</i>, 6 (2), 159-178. • Dechow, Patricia; Ge, Weilli; Schrand, Catherine (2010): Understanding earnings quality: A review of the proxies, their determinants and their consequences. <i>Journal of Accounting and Economics</i>, 50, 344-401 • Riahi-Belkaoui, Ahmed (2004): <i>Accounting Theory</i>. 5th ed. London: Thomson Learning. • Scott, William R. (2012): <i>Financial Accounting Theory</i>. 6th ed. Toronto: Prentice Hall. • Tinker, Anthony M., Merino, Barbara D. and Neimark, Marilyn Dale (1982): The Normative Origins of Positive Theories: Ideology and Accounting Thought. <i>Accounting, Organizations & Society</i>, 7(2), 167-200. <p>A list of further journal articles will be provided in the beginning of the module.</p>																							