##

## **Course Title : Accounting Theory**

**Course Code : COMA 689**

Credit Hours : 03

Total Weeks : 16

Total Hours : 48

**Course Objectives:**

The various objectives of this course are:

1. To equip the students with the basic knowledge of the historical developments in the field of accounting.
2. To give a detailed insight in the theoretical underpinnings of the accounting.
3. To guide students to critically evaluate rationale of accounting standards.
4. To increase students critical thinking and logical explanation of various accounting methods and procedures.

**Chapter-1**

**The history and development of accounting:**

1. Why history of the development of Accounting is important?
2. Evolution of Double Entry Book-keeping.
3. A C. Littleton’s lists seven preconditions for the emergence of systematic bookkeeping.
4. Italian Book-keeping.
5. Early Development of Accounting in Italy
6. Luca Pacioli’s Contribution.
7. Cushing’s 11 developments.
8. The development of accounting principles.
9. Management contribution phase (1900–33).
10. Institution contribution phase (1933–46).
11. professional contribution phase (1959–73).
12. Overt politicisation phase (1973–present)
13. Link between accounting and capitalism.

**Chapter-2**

**The Nature and Uses of Accounting.**

1. Definitions of accounting
2. The objectives of financial reports.
3. Accounting: An art or a Science?
4. Accounting as a social science.
5. Types of accounting measures: *retrospective*, *contemporary* and *prospective*
6. Measurement errors.
7. Types of scales for accounting measures: *nominal* scale; *ordinal* scale; *interval* scale; *ratio* scale.
8. Rationale behind Double-entry accounting:Classificational Double-entry Accounting; Causal Double-Entry Accounting.
9. Generally accepted accounting principles (GAAPs).
10. Major sources of GAAP in the USA.
11. Sources of Australian GAAP.
12. Where Australian GAAP differs from US GAAP?
13. Special GAAPs
14. Other comprehensive bases of accounting (OCBOA): Problems with using OCBOA statements.
15. Little GAAP versus big GAAP.
16. Conformity with standards.
17. Little GAAP committee.
18. Objections to having two sets of GAAP.
19. Changes to accounting policy.
20. Why do managers make accounting method changes?
21. Income smoothing
22. Beidelman’s reasons for smoothing.
23. Gordon’s theory on income smoothing
24. Constraints that lead to income smoothing.
25. Real smoothing versus artificial smoothing.
26. Income smoothing and the conceptual framework
27. The selective financial misrepresentation hypothesis.
28. Insulating the standard-setting process.

**Chapter-3**

**Traditional approaches to the formulation of an accounting theory.**

1. The nature of accounting: various images
2. language
3. historical record
4. current economic reality
5. information system
6. commodity
7. ideology
8. Non-theoretical approaches
9. Deductive approach
10. Inductive approach
11. Ethical approach
12. Sociological approach
13. Economic approach

**Chapter-4**

**The regulatory approach to the formulation of an accounting theory**

1. The nature of accounting standards
2. Requirements under accounting standards.
3. Reasons for establishing standards.
4. Approaches to accounting policy questions: A representational faithfulness approach; An economic consequences approach;
5. Pre-1999 standard-setting arrangements.
6. The Australian Securities and Investment Commission (ASIC).
7. Influence of the accounting profession on standards
8. Finalization of accounting standards.
9. Comparability with International Accounting Standards.
10. Post-1999 structure and the *Corporate Law Economic Reform Program Act.*
11. Theories of regulation: The free-market approach; Market failures.

**Chapter-5**

**A conceptual framework for financial accounting and reporting.**

1. Conceptual framework defined.
2. History of the conceptual framework.
3. The Accounting Principles Board (APB).
4. Exposure drafts.
5. The need for a conceptual framework.
6. Strategic objectives for a conceptual framework.

**Chapter-6**

**The structure of accounting theory**

1. The going-concern postulate
2. The unit of measure postulate.
3. The accounting-period postulate.
4. The proprietary theory.
5. The entity theory.
6. The fund theory.
7. The cost principle
8. The revenue principle: The nature and components of revenue
9. The matching principle
10. The objectivity principle.
11. The consistency principle.
12. The full-disclosure principle.
13. The conservatism principle.
14. The materiality principle.

**Chapter-7**

**Fairness, disclosure and future trends in accounting**

1. Fairness in accounting.
2. ‘True and fair’ doctrine.
3. Social accounting.
4. Fairness in accounting according to Rawls.
5. Nozick’s theory of justice.
6. Gerwith’s theory of justice.
7. Lev’s theory of equitable and efficient accounting policy.
8. Required financial statement disclosures – an analysis.
9. New accounting disclosures.
10. Who is pushing for corporate social reporting?

**Chapter-8**

**Research perspectives in accounting**

1. Classification of accounting researchers
2. Jung and the classification of researchers.
3. Mitroff and Kilman’s classification of researchers.
4. Accounting methodology perspectives.
5. Nomothesis versus ideography.
6. Behling’s five key objections.
7. Convergent methodology
8. Stephen Pepper’s ‘world hypotheses’: formism; mechanism; contextualism; organicism.

**Recommended Texts:**

Fischer, P. M., Tayler, W. J., & Cheng, R. H. (2011). *Advanced Accounting,* (11th Edition). Cengage Learning.

Kieso, D. E., Waygandt, J. J., & Warfield, T. D. (2014). *Intermediate Accounting: IFRS Edition* (2nd Edition). Wiley.

Jeter, D. C., & Chaney, P. K. (2011). *Advanced Accounting*, (5th Edition ). Wiley.

Belkaoui, A. R. (2008). *Accounting Theory.*Australia: Harcourt, Brace and Company.