Course information 2019–20
AC3193 Accounting Theory

This course is designed to address the contemporary issues in both financial and management accounting in the context of theoretical and empirical development.

Prerequisites
If taken as part of a BSc degree, the following course(s) must be passed before this course may be attempted:

AC2091 Financial Reporting
AC2097 Management Accounting

Aims and objectives
Part 1 of this course aims to develop students’ ability to critically evaluate financial accounting theories and their impacts on recent development in accounting practices. Part 2 addresses issues in management accounting and organisational control, including: financial and other controls, organisational structures, performance measurement and incentive systems, budgetary control and public-sector and non-profit financial management within the organisational and human behavioural context.

Essential reading
For full details, please refer to the reading list.

Learning outcomes
At the end of the course and having completed the essential reading and activities students should be able to:

- critically assess the impact of positive and normative accounting theories and their applications in dealing with complex financial accounting issues such as alternative accounting conventions, conceptual framework and economic income approach.
- discuss the different approaches in regulating financial accounting information.
- discuss the demand and implications of financial information in capital market research.
- evaluate the applications of sociological and organisational approaches to the study of accounting.
- evaluate issues arising from management control in its organisational context.
- discuss various approaches to performance measurement and control in various types of organisations, and devise and evaluate indicators of performance.
- discuss contingency theory and its impacts on management control practices in organisations.
- discuss the ethical issues of using management control methods and its use in non-profit organisations.

Assessment
This course is assessed by a three hour and 15 minute unseen written examination.
This subject guide is divided into two parts. Part 1 – blocks 1-10, Part 2 blocks 11-20:

- Block 1 provides an introduction to accounting theory.
- Blocks 2 to 5 focuses on normative (prescriptive) economistic theories of accounting, such as current entry and exit value systems, deprival value and Hicks’ income.
- Blocks 6 and 7 describes positive (descriptive) economistic theories of accounting that are based on archival databases, such as the Efficient Markets Hypothesis and Watts and Zimmerman’s Positive Accounting.
- Block 8 discusses positive (descriptive) socio-political/social theories of accounting.
- Block 9 covers critical approaches in accounting.
- Block 10 deals with the regulation of accounting.
- Block 11 introduces management control, identifying results control, action, personnel and cultural Controls.
- Block 12 discusses Control system tightness and costs and designing and evaluating Management Control Systems.
- Block 13 focuses on Financial Responsibility Centres.
- Block 14 reviews Planning and Budgeting including variations and problems
- Block 15 looks at issues relating to incentive compensation.
- Block 16 considers the effects of Financial Performance Measures. Block 17 incorporates combinations of measures and other remedies and using financial results in the presence of uncontrollable factors.
- Block 18 considers the related ethical issues of management control.
- Block 19 look at the effects of environmental uncertainty, organisational structure and Multi-nationality on Management Control Systems.
- Block 20 considers Management Control in non-profit organisations.