



# Course information 2020-21

## AC3193 Accounting Theory

### General information

**COURSE LEVEL:** 6

**CREDIT:** 30

**NOTIONAL STUDY TIME:** 300 hours

### Summary

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

### Conditions

**Co-requisites:** You must pass one of **either** AC2091 Financial reporting **or** AC2097 Management accounting before taking AC3193, and you must take the other course at the same time as or before AC3193.

### Aims

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.

### 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

Please consult the current EMFSS Programme Regulations for further information on the availability of a course, where it can be placed on your programme's structure, and other important details.

- discuss the ethical issues of using management control methods and its use in non-profit organisations

## Essential reading

For full details, please refer to the reading list.

Alexander, D., A. Britton, A. Jorissen, M. Hoogendoorn and C.V. Mourik. International financial reporting and analysis. (Andover: Cengage Learning, 2017) 7th edition [ISBN 9781473725454]

Merchant & Van der Stede, Management Control Systems: Performance Measurement, Evaluation and Incentives, FT/Prentice Hall (2017) [ISBN 9781292181875].

## Assessment

This course is assessed by a 3 hours and 15 minutes unseen written examination.

## Syllabus

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) economic theories of accounting, such as current entry and exit value systems, deprival value and Hicks' income.
- Blocks 6 and 7 describes positive (descriptive) economic 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.

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