

Positive Accounting Theory Course Outline and Reading List

Financial Accounting

Academic Year 2005/2006

Graduate School of Economics, Kyoto University

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Course Objective

This course aims at reviewing and discussing the Agency Theory in Accounting formulated by **Watts and Zimmerman [1986]**, *Positive Accounting Theory*, Prentice-Hall, **Contemporary Topics in Accounting Series**. Since mid 80s, the theory has been providing one of the most dominant frameworks for accounting research, especially contact-based empirical studies on accounting behavior. By the end of the course, you should have an overview of the theory and/or eventually some ideas for your own dissertations or papers. Students in the first year of master course will be required to submit a term paper to summarize their understanding of the theory by **19 July 2005** and this will be assessed for assessment purpose. If you are second-year student of M.C., a dissertation proposal can substitute for this as far as it will contain any of the elements of the theory reviewed in this course.

Format of Course

We are going to review and discuss major topic of the theory through careful reading Watts and Zimmerman [1986]. For this purpose, you are required to summarize, by turn, the part or chapter assigned of the text. Your handouts for the seminar should include ***your own comments*** on the topic discussed then. As seen below, the sessions will be on Tuesday in every other week from 14.45 to normally 18.00 at the seminar room #201.

Assessment

You will be required to submit a term paper to summarize your understanding of the theories by **19 July 2005**. The paper should be about 1,000 words in English or more than 5 pages in Japanese in length and should include ***your own comments*** on any of the elements of the theory you want to summarize or you intent to use in your dissertations or papers.

Lecture Topics and Schedule

Date	Chapter and Topic	Presented by (Small Talker)
12 April	Organizational Meeting	(Sun Meiling)
26 April	Ch.1 The Role of Accounting Theory Ch.2 The Efficient Markets Hypothesis and Capital Asset Pricing Model	Sunny Song Jiro Takahashi (Akihiro Manabe)
10 May	Ch.3 Accounting Earnings and Stock Prices Ch.4 Discriminating Between Competitive Hypotheses	Tetsuhiro Itoh Hong Koh (Yoshihiro Sakuma)
24 May	Ch.7 Evolution of Disclosure Regulation Rationales: Prelude to a New Theory Ch.8 The Contracting Process	Kosuma Shinohara Seiji Fujiwara (Atsuko Takinishi)
14 June	Ch.9 Compensation Plans, Debt Contracts, and Accounting Procedures Ch.10 Accounting and Political Process	Wang Shan Yusuke Asano (Clemence Garcia)
28 June	Ch.11 Empirical Tests of Accounting Choice Ch.12 Stock Price Tests of the Theory	Yoshihiro Sakuma Takeo Itabashi (Kim Junmin)
12 July	Ch.13 The Theory's Application to Auditing Ch.14 The Role of Accounting Research	Chi Liangyao Haruhide Sakuma (Jumpei Ogawa)

Further Reading

The following is reading for further understanding of the theory, which may be helpful when you are preparing your presentation. It covers a broad range of material and you are not expected to read it all. But it gives you some source material that you may want to refer to later.

- Akerlof, G.A.[1970], "The Market for 'Lemon': Quality Uncertainty and the Market Mechanism," *Quarterly Journal of Economics*, Vol.84, pp.488-500, 雪村千佳良, 井上桃子訳[1995] 『ある理論経済学者のお話の本』 ハーベスト社, 9-33 頁。
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- El-Gazzar, S.M.[1993], "Stock Market Effects of the Closeness to Debt Covenant Restrictions Resulting from Capitalization of Leases," *The Accounting Review*, Vol.68, No.2, pp.25-272.
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- Fama, E.F. and K.R.French[1993], "Common Risk Factors in the Returns on Stock and Bonds," *Journal of Financial Economics*, Vol.33, pp.3-56.
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- Feltham, G.A. and J.A.Ohlsoln[1995], "Valuation and Clean Surplus Accounting for Operating and Financial Activities," *Contemporary Accounting Research*, Vol.11, No.2, pp.689-731.
- Holthausen, R.W.[1990], "Accounting Method Choice: Opportunistic Behavior, Efficient Contracting, and Information Perspectives," *Journal of Accounting and Economics*, Vol.12, No.1-3, pp.207-218.
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