Course Objective
The objective of this course is to review and discuss basic theories of accounting behavior that have been conceptualized on the economics since 70's in UK and US. By the end of the course you should have an overview of the major theories used in current accounting research and ideas for your own dissertation or paper. Students in the first year of master course will be required to submit a short paper to summarize their understanding the theories by 25 January 2005 and this will be assessed for assessment purpose. If you are second-year student in M.C., a dissertation proposal can substitute for this as far as it will contain any of the theories reviewed in this course.

Format of Course
You are divided into five groups and each group is required to translate the assigned material into Japanese and to discuss the topic with your own comments. As seen below, the sessions will be on Tuesday in every other week from 4.45 to normally 6.00.

Assessment
You will be required to submit a short paper to summarize your understanding the theories reviewed in this seminar by 25 January 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 the theories you want to summarize or you intent to use in your dissertation.

Lecture Topics and Schedule
1. Politicization of Accounting (12 October 2004)
We will review the political characteristics of setting standards. D. Solomons, one of the most influential leaders in the early stage of FASB’s regulatory activities, insists the needs for conceptual approach to standard setting in order to avoid the politicization of accounting.


2. Efficient Market Theory (26 October 2004)
If markets would be fully efficient in terms of economics, there would be no use of accounting regulation at all, because the markets could always take adequate reactions at once by reading any reality of firms no matter what information might be disclosed. Since early 70’s, many researchers have been doing their research on the basis of what’s called efficient market hypothesis, which implies uselessness of accounting regulation. Wyatt points out examples that show the real world of accounting is ignoring the efficient market hypothesis.


3. Information Inductance (16 November 2004)
Impacts of accounting information are surely bilateral, that is, not only users but also senders are to be influenced by the information that they themselves produce and send. Rational senders may change their own behaviors or even expectations in advance through feedforward of users’ reaction. Prakash and Rappaport discuss the implications of this information inductance for financial reporting.


This topic will be explored on the basis of one of the most famous classical researches on market mechanism. Akerlof shows the significance of information disclosure to make market efficient. His discussion will give you many implications for your accounting and finance research.

5. **Positive Theory of Accounting (18 January 2005)**

Positive theory is one of the most standardized theories in accounting research across the world. We will be reading here the first co-work of founders of the theory, which might be regarded as the germ of their immortal work of Positive Accounting Theory published in 1986.


**Further Reading**

The following is reading for further understanding of the theories, 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.


Cowton, C. and N. Garrod[1981], "Clearing the Fog around the Efficient Capital Market"


Mlynarczyk Jr., F.A.[1969], "An Empirical Study of Accounting Methods and Stock

Most, K.S.[1970], "A New Method of Accounting for Oil and Gas Producers," Management Accounting (US), May.


Wilner, N.A.[1982], "SFAS 8 and Information Inductance: An Experiment," Accounting, Organizations and Society, February.


