

<b>Subject Code</b>	AF6106
<b>Subject Title</b>	Contemporary Issues in Financial Reporting and Corporate Disclosures
<b>Credit Value</b>	3
<b>Level</b>	6
<b>Normal Duration</b>	One Semester
<b>Pre-requisite / Co-requisite/ Exclusion</b>	None
<b>Role and Purposes</b>	<p>The primary objectives of the subject are to provide students with an in-depth understanding of:</p> <ol style="list-style-type: none"> <li>(1) voluntary and mandatory financial reporting and corporate disclosures;</li> <li>(2) the link between disclosures and the capital markets, as well as with the institutional and legal environments of the economy</li> </ol>
<b>Subject Learning Outcomes</b>	<p>Upon completion of the subject, students will be able to:</p> <ol style="list-style-type: none"> <li>(1) acquire a detailed and critical knowledge of the contemporary issues over the capital market and the economic consequences of the quality of financial reporting policies and choices;</li> <li>(2) critically analyze the impacts of voluntary and mandatory corporate disclosures on the economic, institutional and legal environment;</li> <li>(3) develop well-designed original research on current issues relating to financial reporting and the capital markets of equity and debts.</li> </ol>
<b>Subject Synopsis/ Indicative Syllabus</b>	<p>Topic 1. Corporate disclosure  Topic 2. Capital markets research in accounting  Topic 3. Earnings-returns relationship  Topic 4. Earnings management and consequences  Topic 5. Financial accounting in the banking industry</p>
<b>Teaching/Learning Methodology</b>	<p>The format of the classes will be workshops in which the professor will provide a broad overview of the topics, following which related research papers in top-tier journals will be discussed. There will also be team presentation of research paper.</p>

<b>Assessment Methods in Alignment with Intended Learning Outcomes</b>	Specific assessment methods/tasks	% weighting	Intended subject learning outcomes to be assessed (Please tick as appropriate)				
			(1)	(2)	(3)		
	Class participation	30%	√	√	√		
	Presentation	30%	√	√	√		
	Final examination	40%	√	√	√		
Total	100 %						
<p><b>Note: To pass this subject, students are required to obtain Grade D or above in BOTH the Continuous Assessment and Examination components. In addition, the specific requirements on individual assessment components discussed above could be adjusted based on the pedagogical needs of subject lecturers.</b></p>							
<b>Student Study Effort Expected</b>	Class contact:						
	▪ Lectures						30 Hrs.
	Other student study effort:						
	▪ Preparation for lectures and assigned readings						60 Hrs.
	Total student study effort						90 Hrs.
<b>Reading List and References</b>	<p><b>Required textbook</b></p> <p>Scott, William R., <i>Financial Accounting Theory</i>, 2014, 7th edition, Pearson (Prentice Hall) Education Canada Inc., Toronto, Ontario</p> <p><b>Topic 1: Corporate disclosure</b></p> <p><u>Main references</u></p> <p>Scott Ch. 1, 2, &amp; 3</p> <p>Goh, B.W., Dan, L., Ng, J., and Yong, K.O. (2015). Market pricing of banks' fair value assets reported under SFAS 157 since the 2008 financial crisis. <i>Journal of Accounting and Public Policy</i>, 34, pp. 129-145.</p> <p>Chung, S.G., Goh, B.W., Ng, J., and Yong, K.O. (2016). Voluntary fair value disclosures beyond SFAS 157 three-level estimates. <i>Review of Accounting Studies</i>, forthcoming.</p> <p><u>Supplementary references</u></p> <p>Healy, P.M., and Palepu, K.G. (2001). Information asymmetry, corporate disclosure, and the capital markets: a review of the empirical disclosure literature, <i>Journal of Accounting and Economics</i>, 31, pp. 405–440.</p>						

Core, J.E. (2001). A review of the empirical disclosure literature: Discussion, *Journal of Accounting and Economics*, 31, pp. 441–456

## **Topic 2: Capital markets research in accounting**

### Main references

Scott Ch. 4, 5, 6, & 7

Ng, J. (2011). The effect of information quality on liquidity risk. *Journal of Accounting and Economics*, 52, pp. 126-143.

Ng, J., Rusticus, T., and Verdi, R. (2008). Implications of transaction costs for the post-earnings-announcement drift. *Journal of Accounting Research*, 46, pp. 661-696.

### Supplementary references

Kothari, S.P. (2001). Capital markets research in accounting. *Journal of Accounting and Economics*, 31, pp. 105-231.

Lee, C. (2001). Market efficiency and accounting research: a discussion of 'capital market research in accounting' by S.P. Kothari. *Journal of Accounting and Economics*, 31, pp. 233-253.

## **Topic 3: Earnings-returns relationship**

### Main references

Cheng, C.S.A., Hopwood, W., and McKeown, J. (1992). A Specification Analysis for the Unexpected Earnings Response Regression Model. *The Accounting Review*, July, pp. 579-598.

Cheng, C.S.A., Liu, C.S., Schaefer, T.F. (1996) Earnings Permanence and the Incremental Information Content of Cash Flows from Operations beyond Permanent versus Transitory Earnings. *Journal of Accounting Research*, Spring 34 (1), pp. 173-181.

Sloan, R.G. (1996). Do stock prices fully reflect information in accruals and cash flows about future earnings? *The Accounting Review*, 71(3), pp. 289-315.

### Supplementary references

Easton, P.D. and Harris, T.S. (1991). Earnings as an explanatory variable for returns. *Journal of Accounting Research*, 29(1), pp. 19-36.

Liu, J. and Thomas, J. (2000). Stock returns and accounting earnings. *Journal of Accounting Research*, pp. 71-101.

Fu, J. (2016). Sophistication of the Chinese Mutual Funds and Mispricing Accruals. *Journal of International Accounting Research 2016 IAS-Mid Year Meeting Plenary Session*.

## **Topic 4: Earnings management and consequences**

### Main references

Burgstahler, D., and Dichev I. (1997). Earnings management to avoid earnings decreases and losses. *Journal of Accounting and Economics*, 24(1), pp. 99-126.

Hutton, A.P., Marcus, A.J., and Tehranian, H. (2009). Opaque financial reports,  $R^2$ , and crash risk. *Journal of Financial Economics*, 94, pp. 67-86.

Tucker, J.W., and Zarowin, P.A. (2006). Does income smoothing improve earnings informativeness? *The Accounting Review*, January 81(1), pp. 251-270.

Supplementary references

DeChow, P., Ge, W., and Schrand C. (2010). Understanding earnings quality: A review of the proxies, their determinants and their consequences. *Journal of Accounting and Economics*, 50, pp. 344-401.

**Topic 5: Financial accounting in the banking industry**

Main references

Notes providing an overview of financial accounting in the banking industry

Beatty, A. and Liao, S. (2014). Financial accounting in the banking industry: A review of the empirical literature. *Journal of Accounting and Economics*, 58, pp. 339-383.

Akins, B., Dou, Y., and Ng, J. (2016). Corruption in bank lending: The role of timely loan loss recognition. *Journal of Accounting and Economics*, forthcoming

Supplementary references

Bushman, R.M. (2014). Thoughts on financial accounting and the banking industry, 58, 384-395.