

47-879 Accounting and Information Economics I
Carnegie Mellon University
Graduate School of Industrial Administration

Fall 2002, Mini 2
Class room: GSIA 227
Class time: Mondays & Wednesdays, 10:30am – 12:20pm

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Course Overview

This course provides an introduction to an information content theme in accounting theory. This means we view accounting as a source of information. More broadly, this course focus on information questions with an economic orientation.

We begin with some preliminary work on the use of information in valuation and managerial settings. Next, we visit classical accounting issues, like recognition, accruals, etc., with an explicit information content theme. The central idea is to tease out the comparative advantage of accounting as a source of information.

Course Material

Primary text

Accounting Theory : An Information Content Perspective
by John Asmus Christensen and Joel S. Demski
Publisher: Irwin/McGraw-Hill; ISBN: 0072296917; (May 22, 2002)

Supplementary readings

Economics of Accounting (volumes I and II)
by Peter Christensen and Gerald Feltham
Publisher: Kluwer Academic Press; (October 2002)

Course Requirements

Class Presentations each participant will make at least two class presentations of a designated research paper

Homework assignments are given as the course progresses.

Final Exam details to be announced

Research Participation stay active the research activities in GSIA and the university at large: to stay engaged in Accounting and other GSIA workshop series, to participant in our accounting conference, and to work/present your summer paper, etc..

47-879 Information Economics and Accounting I
Fall 2002 Mini 2 Tentative Schedule

Dates	Topics	Presenters	Back Readings
Wed 10/23	Information in Valuation Settings		Ch 8-10
Mon 10/28	Guest Lecture by Professor Bjorn Jorgensen		
Wed 10/30	Kanodia 1980 Feltham and Ohlson 1996	Sun Xue	Canning 1929 (ch II and IX)
Mon 11/4	Information in Managerial Settings and Conflict among uses		Ch 11-13
Wed 11/6	Arya, Glover, and Liang 2002 Farlee, Fellingham, and Young 1996	Zhao Chen	Grunfeld and Griliches 1960
Mon 11/11	Recognition		Ch 14
Wed 11/13	Liang 2000 Dutta and Zhang 2002	Li Wen	Myers 1959
Mon 11/18	Audited Accruals		Ch 15
Wed 11/20	Fellingham and Newman 1985 Arya and Glover 1996	Park Chen	Ijiri 1975 (ch 3)
Mon 11/25	Conditional Recognition		Ch 16
Wed 11/27	Thanksgiving Holiday (No class)		
Mon 12/2	Baiman and Demski 1980 Christensen and Demski 2002	Wen Zhao	Sorter 1969
Wed 12/4	Intertemporal and Intratemporal Accruals		Ch 17 - 18
Mon 12/9	Demski and Frimor 1999 Dutta and Gigler 2002	Sun Li	Hepworth 1953 Devine (III-7)
Wed 12/11	Harris, Kriebel, and Raviv 1982 Rogerson 1992	Park Xue	J. M. Clark 1923 (ch II)
TBA	Final exam		

Reading List

Week 1

Kanodia, C. "Effects of Shareholder Information on Corporate Decisions and Capital Market Equilibrium." *Econometrica* 48, no. 4 (1980): 923-53.

Feltham, Gerald A, and James A Ohlson. "Uncertainty Resolution and the Theory of Depreciation Measurement." *Journal of Accounting Research* 34, no. 2 (1996): 209-34.

Canning, John B. *The Economics of Accountancy*. New York, NY: Ronald Press, 1929.

Week 2

Arya, Glover, and Liang. "Inter-temporal Aggregation" Carnegie Mellon University working paper 2002.

Farlee, M., John Fellingham, and Richard Young. "Properties of Economic Income in a Private Information Setting." *Contemporary Accounting Research* 13, no. 2 (1996): 401-22.

Grunfeld, Yehuda, and Zvi Griliches. "Is Aggregation Necessarily Bad." *Review of Economic and Statistics* XLII, no. 1 (1960): 1-13.

Week 3

Liang, Pierre Jinghong. "Accounting Recognition, Moral Hazard, and Communications." *Contemporary Accounting Research* 17, no. 3 (2000): 457-90.

Dutta, S., and Xiao-Jun Zhang. "Revenue Recognition in a Multiperiod Agency Model." *Journal of Accounting Research* 40, no. 1 (2002): 67-84.

Myers, J. H. "The Critical Event and Recognition of Net Profit." *Accounting Review* 34, no. 4 (1959): 528-32.

Week 4

Fellingham, John C, and D Paul Newman. "Strategic Considerations in Auditing." *Accounting Review* 60, no. 4 (1985): 634-50.

Arya, Anil, and Jonathan Glover. "Verification of Historical Cost Reports." *Accounting Review* 71, no. 2 (1996): 255-69.

Ijiri, Yuji. *Theory of Accounting Measurement, Studies in Accounting Research #10*. Sarasota, FL: American Accounting Association, 1975.

Week 5

Baiman, Stanley, and Joel S Demski. "Economically Optimal Performance Evaluation and Control Systems." *Journal of Accounting Research* 18 (1980): 184-220.

Christensen, J., and Joel S. Demski. "Asymmetric Monitoring: Good Versus Bad News Verification." University of Florida, 2002.

Sorter, George H. "An "Events" Approach to Basic Accounting Theory." *Accounting Review* 41 (1966): 12-19.

Week 6

Demski, Joel S., and Hans Frimor. "Performance Measure Garbling under Renegotiation in Multi-Period Agencies." *Journal of Accounting Research* v37, no. 0 (1999): 187-214.

Dutta, S., and F. Gigler. "The Effect of Earnings Forecasts on Earnings Management." *Journal of Accounting Research* 40, no. 2 (2002): 631-56.

Hepworth, Samuel R. "Smoothing Periodic Income." *Accounting Review* 28, no. 1 (1953): 32-39.

Devine, Carl Thomas. *Essays in Accounting Theory*. 5 vols. Sarasota, FL: American Accounting Association, 1985.

Week 7

Harris, M., C. Kriebel, and A. Raviv. "Asymmetric Information, Incentive and Intrafirm Resource Allocation." *Management Science* (1982).

Rogerson, William P. "Overhead Allocation and Incentives for Cost Minimization in Defense Procurement." *Accounting Review* v67, no. 4 (1992): 671-90.

Clark, J. Maurice. *Studies in the Economics of Overhead Costs*. Chicago, IL: University of Chicago Press, 1923.