

Course Introduction

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Class Times: Monday and Wednesday, 1:30 p.m.–3:30 p.m. 401 Business

Course Objectives

This course is designed to equip you to understand and critically evaluate this area of accounting research, as well as to give you some practice in formal modeling of accounting problems. The course has two parts. The first part deals with contracting among economic agents where the nature and availability of information yields important strategic interactions. The second part deals with the operation of capital markets, focusing particularly on the role of financial disclosure.

Readings

The text is *Managerial Uses of Accounting Information*, second edition, by Joel S. Demski, Springer, 2008.¹ Useful references are *Economics of Accounting: Volume I, Information in Markets* by Peter O. Christensen and Gerald A. Feltham, Springer, 2003 and *Economics of Accounting: Volume II, Performance Evaluation* by Peter O. Christensen and Gerald A. Feltham, Springer, 2005. The text will be supplemented by outside readings from other books and especially journal articles.

The course outline contains the readings to be completed and problems to be worked on before each day's class. The problems referenced in the outline are from the Demski text so that, e.g., 2–12 indicates problem 12 at the end of chapter 2.

¹ The first edition of the text, Joel S. Demski, Kluwer, 1994 is a close substitute.

Class Organization

Your learning is enhanced by applying the underlying principles to specific situations and contexts. Accordingly, you are expected to prepare in advance problems and readings assigned for each class session.

Time in class together should fall in the middle of the process by which you master a given topic in this course. It is very important that you develop a reasoned opinion on the issues *before* class. You should spend time after class reviewing and organizing in your own mind the substance of class discussions.

Workload and Performance Evaluation

Students will be graded on class participation, problems sets, and two examinations. Unless otherwise indicated, all problems listed in the course outline are to be turned in for a grade. Your participation grade is based on a subjective assessment of your contributions to class.

While you are encouraged to discuss assignments with your classmates *after* you have turned them in, each of you must turn in original and independent analyses of the assigned problems.

Your final grade will be based on the following weights:

(i)	Assignments	30%
(ii)	Class Participation	30%
(iii)	Examinations	40%
		<hr/>
		100%

Examinations are *closed book*. During the exam, you are permitted to use a calculator. You are also permitted to bring to the exam a single $8\frac{1}{2} \times 11$ inch sheet of paper on which you may include whatever summary information about the course you deem necessary.

Smeal has established grade distributions for its courses. I will use these as a guideline in setting grades, but will make adjustments as necessary to reflect clear distinctions in performance.

Note to students whose mother tongue is not English. I think you deserve recognition for succeeding in a rigorous academic program in what, for you, is a foreign language. In order for this distinction to be real and meaningful to you and your eventual employers, I do not make accommodations for the added difficulties you may face in class participation, written assignments, and examinations except as follows: while I expect your written assignments to be free of misspellings and grammatical errors, I do not penalize you for mistakes of idiom (i.e., I expect your written English to be clear and correct, but this does not mean that you must use the same turns of phrase and expressions as a native speaker of American English).

Academic Integrity

The learning process requires that you (as enrolled students, collectively) work through the course material independently of others who have studied or are studying this same material. The learning process also requires that you complete individual assignments independently of others, and group assignments independently of people not in your group. In preparing for class and in reviewing after class, I encourage you to discuss the course material with classmates currently enrolled in this course subject to certain limitations. I consider:

- cribbing answers to course assignments prepared by other students, presented in another section, or gathered from any other unattributed source,
- receiving lecture notes, case approaches, case analyses, solutions and the like from persons not currently enrolled in my sections of this course,
- distributing answers to course assignments where such distribution facilitates academic dishonesty by another student,
- distributing lecture notes, case approaches, case analyses, solutions and the like to persons not currently enrolled in my sections of this course,
- submitting for course credit an assignment containing analysis, discussion or calculations that are the product of someone whose name does not appear on the assignment, or
- submitting for course credit in this class work done for credit in another class

to be violations of the the University Faculty Senate Policies for Students. **It is also a violation of these policies to know of a violation and not report it.** This means you have a positive obligation to report cheating.

If you are in doubt whether a particular act or omission would violate these policies, ask me.

You may read the University Faculty Senate Policies for Students §49–20 “Academic Integrity” on line at:

<http://www.psu.edu/ufs/policies/47-00.html#49-20>.

More on Acadmic Integrity from the Dean’s Office

According to the Penn State Principles and University Code of Conduct:

Academic integrity is a basic guiding principle for all academic activity at Penn State University, allowing the pursuit of scholarly activity in an open, honest, and responsible manner. According to the University’s Code of Conduct, you must neither engage in nor tolerate academic dishonesty. This includes, but is not limited to cheating, plagiarism, fabrication of information or citations, facilitating acts of academic dishonesty by others, unauthorized possession of examinations, submitting work of another person, or work previously used in another course without informing the instructor, or tampering with the academic work of other students.

In addition, the Smeal College has adopted the following Honor Code:

We, the Smeal College of Business Community, aspire to the highest ethical standards and will hold each other accountable to them. We will not engage in any action that is improper or that creates the appearance of impropriety in our academic lives, and we intend to hold to this standard in our future careers.

More details on Smeal’s Honor Code process can be found on the Smeal web pages.

Affirmative Action & Sexual Harassment

The Pennsylvania State University is committed to a policy where all persons shall have equal access to programs, facilities, admission, and

employment without regard to personal characteristics not related to ability, performance, or qualifications as determined by University policy or by Commonwealth or Federal authorities. Penn State does not discriminate against any person because of age, ancestry, color, disability or handicap, national origin, race, religious creed, gender, sexual orientation, or veteran status. Related inquiries should be directed to the Affirmative Action Office, 328 Boucke Building.

Americans with Disabilities Act

The Smeal College of Business welcomes persons with disabilities to all of its classes, programs, and events. If you need accommodations, or have questions about access to buildings where Smeal College activities are held, please contact us in advance of your participation or visit. If you need assistance during a class, program, or event, please contact the member of our staff or faculty in charge. Access to accounting courses should be arranged by contacting the Accounting Department Office: (814) 865-1809.

An Invitation to Students with Learning Disabilities

It is Penn State's policy to not discriminate against qualified students with documented disabilities in its educational programs. If you have a disability-related need for modifications in your testing or learning situation, your instructor should be notified during the first week of classes so that your needs can be accommodated. You will be asked to present to the Office of Disability Services (located in 116 Boucke Building (814) 863-1807) documentation that describes the nature of your disability and the recommended remedy. You may refer to the Nondiscrimination Policy in the Student Guide to University Policies and Rules.