

<b>Subject Code</b>	AF6210
<b>Subject Title</b>	Theories of Accounting and Finance
<b>Credit Value</b>	3
<b>Level</b>	6
<b>Normal Duration</b>	One semester
<b>Pre-requisite / Co-requisite/ Exclusion</b>	Nil
<b>Objectives</b>	To study the economic consequences of externally reported accounting information.
<b>Intended Learning Outcomes</b>	<p>Upon completion of the subject, students will be able to:</p> <ol style="list-style-type: none"> <li>Understand the role of accounting information in the valuation of firms (achieving a).</li> <li>Analyze the impact of public information on efficient allocation of consumption and production through the security markets (achieving a and b).</li> <li>Evaluate in-depth the relation between accounting numbers and market values (achieving a and b).</li> <li>Detail analysis of the impact of public reports on private information acquisition, prices and trading volume (achieving a and b).</li> <li>Analyze the effects of the communication of management information to the capital market (achieving a and b).</li> </ol>
<b>Subject Synopsis/ Indicative Syllabus</b>	<p>Efficient risk sharing and resource allocation in sequential (capital) markets (12 hours): arbitrage and risk sharing in single period models, efficient allocation of multi-date consumption through securities markets, allocation of resources in production economies.</p> <p>Relation between market values and accounting numbers (9 hours).</p> <p>Impact of public and private investor information on security prices and trading volume (12 hour): impact of public information on prices and trades, revelation of private investor information by prices and trading, impact of public report on private information acquisition, prices and trading volume.</p> <p>Communication of management information to the capital market (9 hours): equilibria in games in which the uninformed players move first and the informed player moves first, signaling in contingent contracts, direct disclosure underpricing, and audited report, communication by manages on accounting choices, direct disclosures and disclosure policy choice.</p>
<b>Teaching/Learning Methodology</b>	Lectures, class discussion, assignments.

<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)				
			a	b	c	d	e
	Continuous Assessment	100%	✓	✓	✓	✓	✓
	Total	100 %					
<p>Explanation of the appropriateness of the assessment methods in assessing the intended learning outcomes:</p> <p><i>To pass this subject, students are required to obtain Grade D in the Continuous Assessment component.</i></p>							
<b>Student Study Effort Expected</b>	Class contact:						
	· Lectures		39 Hrs.				
	Other student study effort:						
	· Assignment		78 Hrs.				
	Total student study effort		117Hrs.				
<b>Reading List and References</b>	<p>Peter O. Christensen and Gerald A. Feltham (2003) <i>Economics of Accounting, Volume I: Information in Markets</i>, Kluwer Academic Publishers</p> <p>Peter O. Christensen and Gerald A. Feltham (2005) <i>Economics of Accounting, Volume II: Performance Evaluation</i>, Springer Science + Business Media, Inc.</p> <p>Relevant academic journal articles on various topics.</p>						