

Accounting
Course Number: 26:010:651
Course Title: Accounting Theory I

COURSE MATERIALS

Although the course material is primarily based on journal articles, the following books should prove to be useful as references.

1. Campbell, Lo, MacKinlay, *The Econometrics of Financial Markets*, Princeton: 1997.
2. Copeland, T.E., and J.F. Weston, *Financial Theory and Corporate Policy*, Addison-Wesley Publishing Company, 2005.
3. Cochrane J.C., *Asset Pricing*, Princeton University Press, 2005.
4. Huang C.F., and R.H. Litzenberger, *Foundations for Financial Economics*, Prentice Hall. 1988.
5. Pennacchi, George, *Asset Pricing*, Pearson Publishing, 2008.

Journals (some of the common ones):

AER- American Economic Review

CAR- Contemporary Accounting Research

Econometrica

Economic Theory

JAAF- Journal of Accounting, Auditing & Finance

JAE- Journal of Accounting & Economics

JAR-Journal of Accounting Research

JF- Journal of Finance

JFE- Journal of Financial Economics

JFQA: Journal of Financial and Quantitative Analysis

JET- Journal of Economic Theory

JBE-Quarterly Journal of Business and Economics

Management Science

RAST- Review of Accounting Studies

TAR- The Accounting Review

- Check Canvas (canvas.rutgers.edu) and your official Rutgers email account regularly.

LEARNING GOALS AND OBJECTIVES

The objective of this course is to introduce doctoral students from diverse fields to different mathematical models in the accounting, finance, and taxation literature. Classic and current models from asset pricing, information, contracting and incentives, taxation will be discussed. While the course will be mathematically rigorous in its essence, it will tend to focus quite a bit on the modeling intuition and insights.

PREREQUISITES

Students registered for this class are expected to have taken the required Accounting, Finance, Microeconomics, and Statistics classes at the graduate level Please talk to me if you have any concerns.

ACADEMIC INTEGRITY

I do NOT tolerate cheating. Students are responsible for understanding the RU Academic Integrity Policy (<http://academicintegrity.rutgers.edu/>).

I will strongly enforce this Policy and pursue *all* violations. On all examinations and assignments, students must sign the RU Honor Pledge, which states, “On my honor, I have neither received nor given any unauthorized assistance on this examination or assignment.” I will screen all written assignments through *SafeAssign* or *Turnitin*, plagiarism detection services that compare the work against a large database of past work. Don’t let cheating destroy your hard-earned opportunity to learn. See business.rutgers.edu/ai for more details.

ATTENDANCE AND PREPARATION POLICY

-Barring unforeseen circumstances, I expect to be teaching all scheduled class sessions. Similarly, barring unforeseen circumstances or religious observances, I expect all my students to attend every class session. If I am to be absent, the EMBA office, or I will send you notice via email and Canvas as far in

advance as possible. If you are to be absent, report your absence in advance at <https://sims.rutgers.edu/ssra/>. If your absence is due to religious observance, a Rutgers-approved activity, illness, or family emergency/death and you seek makeup work, also send an email with full details and supporting documentation [within 10 days of your first absence

- For weather emergencies, consult the campus home page. If the campus is open, class will be held.
- I expect to arrive on time for each class and I expect the same of you. I expect my class sessions and lectures to take up all the allotted time, and I would expect you to attend the full session in every class. I expect you will have a valid reason if you come in late or have to leave a class early, I expect you will come fully prepared for classes and expect you to participate fully.

CLASSROOM CONDUCT

I expect you to be considerate to your classmates and the professor, follow class decorum, and make the learning experience to be both positive and rewarding.

EXAM DATES AND POLICIES

There will be a final take home examination. Specific details of the final examination will be announced in the last class session before the examination date.

During exams, the following rules apply:

- If you have a disability that influences testing procedures, provide me an official letter from the Office of Disability Services at the start of the semester.

GRADING POLICY

Your final grade is not subject to negotiation. If you have any questions, please submit your written request to me within one week of receiving your final grade and provide all due supporting documentation. If your case merits a revision of grade, I will gladly correct it. I cannot and will not adjust grades based on consequences, such as hurt pride, lost scholarships, lost tuition reimbursement, lost job opportunities, or dismissals. Do not ask me to do so. According to the policies of the University, it is not honest to attempt to influence faculty in an effort to obtain a grade that you did not earn.

Your grade will be based on your performance on the final examination.

TOPICS, READINGS, ASSIGNMENTS

1. Preferences and Utility Theory

Preferences with Uncertain Returns

Utility functions and their properties

Risk Aversion and Risk Premia

Stochastic Dominance and Applications

2. Value of Information

Statistical versus Economic Notions

Public Information versus Private Information

3. Models of Capital Markets

Market Efficiency Concepts

Arbitrage

Complete Markets

Incomplete Markets

4. Models of Asset Pricing (including Derivatives) in Discrete and Continuous Time with Full Information and Complete Markets

Single Period Model

Multiperiod Discrete time Model

Continuous time Models

Accounting Based Model

Habit Based Models

5. Asset Pricing with Asymmetric Information

Rational Expectations Model

6. Incentives and Contract Design

Principal Agent Problem in Discrete Time

Principal Agent Problem in Continuous Time

7. Models of Taxation

Introduction to Taxes

Valuing Deferred Taxes

SUPPORT SERVICES

If you need accommodation for a *disability*, obtain a Letter of Accommodation from the Office of Disability Services. The Office of Disability Services at Rutgers, The State University of New Jersey, provides student-centered and student-inclusive programming in compliance with the Americans with Disabilities Act of 1990, the Americans with Disabilities Act Amendments of 2008, Section 504 of the Rehabilitation Act of 1973, Section 508 of the Rehabilitation Act of 1998, and the New Jersey Law Against Discrimination. More information can be found at ods.rutgers.edu.

[Rutgers University-New Brunswick ODS phone (848)445-6800 or email dsoffice@echo.rutgers.edu]

[Rutgers University-Newark ODS phone (973)353-5375 or email ods@newark.rutgers.edu]

If you are *pregnant*, the Office of Title IX and ADA Compliance is available to assist with any concerns or potential accommodations related to pregnancy.

[Rutgers University-New Brunswick Title IX Coordinator phone (848)932-8200 or email jackie.moran@rutgers.edu]

[Rutgers University-Newark Office of Title IX and ADA Compliance phone (973)353-1906 or email TitleIX@newark.rutgers.edu]

If you seek *religious accommodations*, the Office of the Dean of Students is available to verify absences for religious observance, as needed.

[Rutgers University-New Brunswick Dean of Students phone (848)932-2300 or email deanofstudents@echo.rutgers.edu]

[Rutgers University-Newark Dean of Students phone (973)353-5063 or email DeanofStudents@newark.rutgers.edu]

If you have experienced any form of *gender or sex-based discrimination or harassment*, including sexual assault, sexual harassment, relationship violence, or stalking, the Office for Violence Prevention and Victim Assistance provides help and support. More information can be found at <http://vpva.rutgers.edu/>.

[Rutgers University-New Brunswick incident report link: <http://studentconduct.rutgers.edu/concern/>. You may contact the Office for Violence Prevention and Victim Assistance at (848)932-1181]

[Rutgers University-Newark incident report link: https://cm.maxient.com/reportingform.php?RutgersUniv&layout_id=7 . You may also contact the Office of Title IX and ADA Compliance at (973)353-1906 or email at TitleIX@newark.rutgers.edu. If you wish to speak with a staff member who is confidential and does **not** have a reporting responsibility, you may contact the Office for Violence Prevention and Victim Assistance at (973)353-1918 or email run.vpva@rutgers.edu]

If students who have experienced a temporary condition or injury that is adversely affecting their ability to fully participate, you should submit a request via <https://temporaryconditions.rutgers.edu> .

If you are a military *veteran* or are on active military duty, you can obtain support through the Office of Veteran and Military Programs and Services. <http://veterans.rutgers.edu/>

If you are in need of *mental health* services, please use our readily available services.

[Rutgers University-Newark Counseling Center: <http://counseling.newark.rutgers.edu/>]

[Rutgers Counseling and Psychological Services–New Brunswick: <http://rhscaps.rutgers.edu/>]

If you are in need of *physical health* services, please use our readily available services.

[Rutgers Health Services – Newark: <http://health.newark.rutgers.edu/>]

[Rutgers Health Services – New Brunswick: <http://health.rutgers.edu/>]

If you are in need of *legal* services, please use our readily available services: <http://rusls.rutgers.edu/>

Students experiencing difficulty in courses due to *English as a second language (ESL)* should contact the Program in American Language Studies for supports.

[Rutgers–Newark: PALS@newark.rutgers.edu]

[Rutgers–New Brunswick: eslpals@english.rutgers.edu]

If you are in need of additional *academic assistance*, please use our readily available services.

[Rutgers University-Newark Learning Center: <http://www.ncas.rutgers.edu/rlc>]

[Rutgers University-Newark Writing Center: <http://www.ncas.rutgers.edu/writingcenter>]

[Rutgers University-New Brunswick Learning Center: <https://rlc.rutgers.edu/>]

[Optional items that many faculty include:

- Students must sign, date, and return a statement declaring that they understand the RU Academic Integrity Policy.
- Students must sign, date, and return a statement declaring that they understand this syllabus.]