



**UNIVERSITAS INDONESIA**  
**FACULTY OF ECONOMICS AND BUSINESS**  
**DEPARTMENT OF ACCOUNTING**  
**UNDERGRADUATE PROGRAM**

**SYLLABUS**  
**TEORI AKUNTANSI KEUANGAN**  
**(FINANCIAL ACCOUNTING THEORY)**  
**ECAU601401**  
**EVEN SEMESTER 2018/2019**

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Subject Code	ECAU601401
Subject Title	Financial Accounting Theory
Credit Value	3
Pre-requisite/ Co-requisite/ Exclusion	Intermediate Financial Accounting 2
Role and Purposes	This course is part of the financial accounting core subjects. It discusses the frame of reference that affects financial accounting practices. The discussion is conducted by considering the different financial accounting theories which are often developed to perform different functions: (1) to <i>describe accounting practice</i> ; and (2) to <i>prescribe particular accounting practices</i> . The theories of accounting are also developed as a result of applying various value judgements and that acceptance of one theory in preference to others will in part be tied to one's own value judgements. As a consequence, students should critically evaluate theories (the underlying logic, assumptions made and evidence produced) before accepting them.

	Accounting students should study accounting theories as part of their broader accounting education. They should be able to evaluate, compare, and apply those frames of reference in justifying their arguments and/or solutions addressing the accounting cases. The topics discussed include: the introduction and approach to the formulation of accounting theory, accounting theory development, and determination of accounting policies.															
Subject Learning Outcomes	<p>Upon completion of the subject, students will be able to:</p> <ol style="list-style-type: none"> <li>1. Evaluate the appropriateness of accounting policies used in preparing financial statements (T3) <ol style="list-style-type: none"> <li>a) Explain the theories underlying a conceptual framework and measurement in accounting; and evaluate the appropriateness of measurement policies used in preparing financial statements.</li> <li>b) Explain the theory underlying elements of financial statements and evaluate the appropriateness of policies regarding the elements used in preparing financial statements.</li> </ol> </li> <li>2. Demonstrate the ability to evaluate, analyze and compare rules of accounting information towards accounting regulations, capital market research and behavioral research (C2) <ol style="list-style-type: none"> <li>c) Explain the construction of accounting theories and evaluate the application of the theories to regulation</li> <li>d) Explain and compare the theory applied in capital market research and behavioural research in accounting</li> </ol> </li> <li>3. Demonstrate the ability to justify an argument or solution with supporting evidence/relevant references related to positive accounting theory and emerging issues (C3) <ol style="list-style-type: none"> <li>e) Explain the positive theory of accounting policy; disclosures, and justify arguments and/or solutions on the theory</li> <li>f) Explain and justify arguments on the issues in accounting standard setting and the emerging issues in accounting and auditing.</li> </ol> </li> </ol>															
Subject Synopsis/ Indicative Syllabus	<table border="1" data-bbox="459 1442 1520 1964"> <thead> <tr> <th data-bbox="459 1442 592 1507">Week #</th> <th data-bbox="592 1442 1046 1507">Topic</th> <th data-bbox="1046 1442 1166 1507">LO</th> <th data-bbox="1166 1442 1520 1507">Required Reading</th> </tr> </thead> <tbody> <tr> <td data-bbox="459 1507 592 1778">1</td> <td data-bbox="592 1507 1046 1778"> <b>Introduction</b>  <b>Accounting Theory Construction</b> <ul style="list-style-type: none"> <li>• Overview of Accounting Theory</li> <li>• Pragmatic Theories</li> <li>• Syntactic and Semantic Theories</li> <li>• Normative Theories</li> <li>• Positive Theories</li> <li>• Other Perspectives and Issues</li> </ul> </td> <td data-bbox="1046 1507 1166 1778">c</td> <td data-bbox="1166 1507 1520 1778"> <ul style="list-style-type: none"> <li>• Godfrey Ch.1</li> <li>• Godfrey Ch.2</li> </ul> </td> </tr> <tr> <td data-bbox="459 1778 592 1964">2</td> <td data-bbox="592 1778 1046 1964"> <b>Applying Theory to Accounting Regulation</b> <ul style="list-style-type: none"> <li>• The Theories of Regulation Relevant to Accounting and Auditing</li> <li>• How the Theories of Regulation</li> </ul> </td> <td data-bbox="1046 1778 1166 1964">c</td> <td data-bbox="1166 1778 1520 1964"> <ul style="list-style-type: none"> <li>• Godfrey Ch.3</li> <li>• Scott Ch.13 (Sub 13.2)</li> </ul> </td> </tr> </tbody> </table>				Week #	Topic	LO	Required Reading	1	<b>Introduction</b> <b>Accounting Theory Construction</b> <ul style="list-style-type: none"> <li>• Overview of Accounting Theory</li> <li>• Pragmatic Theories</li> <li>• Syntactic and Semantic Theories</li> <li>• Normative Theories</li> <li>• Positive Theories</li> <li>• Other Perspectives and Issues</li> </ul>	c	<ul style="list-style-type: none"> <li>• Godfrey Ch.1</li> <li>• Godfrey Ch.2</li> </ul>	2	<b>Applying Theory to Accounting Regulation</b> <ul style="list-style-type: none"> <li>• The Theories of Regulation Relevant to Accounting and Auditing</li> <li>• How the Theories of Regulation</li> </ul>	c	<ul style="list-style-type: none"> <li>• Godfrey Ch.3</li> <li>• Scott Ch.13 (Sub 13.2)</li> </ul>
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		<p>Apply to Accounting and Auditing Practice</p> <ul style="list-style-type: none"> <li>• The Regulatory Framework for Financial Reporting</li> <li>• The Institutional Structure for Setting Accounting and Auditing Standards</li> </ul>		
	3	<p><b>A Conceptual Framework</b></p> <ul style="list-style-type: none"> <li>• The Role of Conceptual Framework</li> <li>• Objectives of Conceptual Frameworks</li> <li>• Developing a Conceptual Framework</li> <li>• A Critique of Conceptual Framework Projects</li> <li>• Conceptual Framework for Auditing Standards</li> </ul>	a	<ul style="list-style-type: none"> <li>• Godfrey Ch.4</li> <li>• PSAK-KDP2LK (Conceptual Framework) (Revised Version 2017)</li> </ul>
	4 & 5 (CL)	<p><b>Measurement Theory</b></p> <ul style="list-style-type: none"> <li>• Importance of Measurement</li> <li>• Scales</li> <li>• Permissible Operations of Scales</li> <li>• Types of Measurement</li> <li>• Reliability and Accuracy</li> <li>• Measurement in Accounting</li> <li>• Measurement Issues for Auditors</li> </ul> <p><b>Accounting Measurement System</b></p> <ul style="list-style-type: none"> <li>• Income and Capital Measurement System</li> <li>• Historical Cost Accounting</li> <li>• Current Cost Accounting</li> <li>• Financial Capital versus Physical Capital</li> <li>• Exit Price Accounting</li> <li>• Value in Use versus Value in Exchange</li> <li>• A Global Perspective and IFRS Issues for Auditors</li> </ul>	a	<ul style="list-style-type: none"> <li>• Godfrey Ch.5</li> <li>• Godfrey Ch.6</li> </ul>
	6	<p><b>Assets</b></p> <ul style="list-style-type: none"> <li>• Asset Defined</li> <li>• Asset Recognition</li> <li>• Asset Measurement</li> <li>• Challenges for Standard Setters</li> <li>• Issues for Auditors</li> </ul> <p><b>Liabilities and Owner's Equity</b></p> <ul style="list-style-type: none"> <li>• Proprietary and Entity Theory</li> <li>• Liabilities Defined</li> <li>• Liability Measurement</li> <li>• Challenges for Standard Setters</li> </ul>	b	<ul style="list-style-type: none"> <li>• Godfrey Ch.7</li> <li>• Godfrey Ch.8</li> </ul>
	7	<p><b>Assets</b></p> <ul style="list-style-type: none"> <li>• Asset Defined</li> <li>• Asset Recognition</li> </ul>	b	<ul style="list-style-type: none"> <li>• PSAK 19</li> <li>• PSAK 57</li> <li>• PSAK 71</li> </ul>

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8 & 9 (CL)	<p><b>Revenue</b></p> <ul style="list-style-type: none"> <li>• Revenue Defined</li> <li>• Revenue Recognition</li> <li>• Revenue Measurement</li> <li>• Challenges for Standard Setters</li> <li>• Issues for Auditors</li> </ul> <p><b>Expenses</b></p> <ul style="list-style-type: none"> <li>• Expenses Defined</li> <li>• Expenses Recognition</li> <li>• Expenses Measurement</li> <li>• Challenges for Standard Setters</li> </ul>	b	<ul style="list-style-type: none"> <li>• Godfrey Ch.9</li> <li>• Godfrey Ch.10</li> <li>• PSAK 72</li> </ul>
10	<p><b>Positive Theory of Accounting Policy and Disclosure</b></p> <ul style="list-style-type: none"> <li>• Contracting Theory</li> <li>• Agency Theory</li> <li>• Agency Problems</li> <li>• Signaling Theory</li> <li>• Political Process</li> <li>• Agency Cost</li> <li>• Empirical Test of Theory and Evaluating the Theory</li> <li>• Issues for Auditors</li> </ul>	c	<ul style="list-style-type: none"> <li>• Godfrey Ch.11</li> </ul>
11	<p><b>Capital Market Research</b></p> <ul style="list-style-type: none"> <li>• Philosophy of Positive Accounting Theory</li> <li>• Strength of Positive Theory</li> <li>• Scope of Positive Accounting Theory</li> <li>• Capital Market Research and the Efficient Market Hypothesis</li> <li>• Impact of Accounting Profits Announcements on Share Prices</li> <li>• Trading Strategies</li> <li>• Issues for Auditors</li> </ul>	d	<ul style="list-style-type: none"> <li>• Godfrey Ch.12</li> </ul>
12	<p><b>Behavioral Research in Accounting (BAR)</b></p> <ul style="list-style-type: none"> <li>• Definition and Scope</li> <li>• Why is BAR Important?</li> <li>• Representativeness: The Evidence</li> <li>• Accounting and Behavior</li> <li>• Limitation of BAR</li> <li>• Issues for Auditors</li> </ul>	d	<ul style="list-style-type: none"> <li>• Godfrey Ch.13</li> </ul>

	13	<b>Standard Setting</b> <ul style="list-style-type: none"> <li>Standard Setting: Economics Issues</li> <li>Standard Setting: Political Issues</li> </ul>	f	<ul style="list-style-type: none"> <li>Scott Ch.12 and 13 (Except sub 13.2)</li> </ul>
	14	Emerging Issues in Accounting and Auditing <ul style="list-style-type: none"> <li>Factors Influencing Accounting and Auditing Research, Regulation and Practice</li> <li>Application of Fair Value Accounting during Global Financial Crisis</li> <li>Future International Accounting Standard Setting Arrangements</li> <li>Sustainability Accounting, Reporting and Assurance</li> <li>Other Non Financial Accounting and Reporting Issues</li> </ul>	e,f	<ul style="list-style-type: none"> <li>Godfrey Ch.14</li> </ul>

**Teaching/Learning Methodology**

Students-oriented learning (referred as Student Centered Learning or SCL) is used as the teaching method in this subject. Active participation from students is highly needed. Students are expected to build self-knowledge actively and independently, while the main role of the teaching staff is as a facilitator.

Learning methods used in this subjects is active and collaborative learning. Selection of the learning method is based on the suitability of learning methods to the characteristics of the material covered so that specific instructional objectives can be achieved optimally.

Each group should prepare group paper in the form of power point presentation discussing pertaining topics in each session. Quizzes will be administered at the end of the session, and from which 4 highest grades of each student will be selected for the assessment.

For final paper, each group should prepare a short paper (maximum 5 pages) discussing emerging issues in financial accounting.

**Assessment Method in Alignment with Intended Learning Outcomes**

Specific Assessment Methods/Tasks	% Weighting	Intended Learning Outcomes to be Assessed					
		a	b	c	d	e	f
Continuous Assessment							
GROUP	<b>25%</b>						
Group Paper (15%)		√	√	√	√	√	√
Presentation (10%)		√	√	√	√	√	√
INDIVIDUAL	<b>75%</b>						
Mid-Term Exam (25%)		40%	30%	30%			
Final Exam (25%)			30%		30%	15%	25%

	Participation – Collaborative and Active Learning (15%)		√	√	√	√	√	√															
	Quizzes (10%)		√	√	√	√	√	√															
Details of learning methods	<p>The specific learning methods used in this subject are:</p> <ol style="list-style-type: none"> <li>Active Lecturing and Group presentation Active lecturing approach, which is preceded by presentation of students (in group) is applied for all sessions except those using CL. Each group should present twice (before and after Mid Test). The presenter group prepares and submits group paper containing summary of material discussed in each session.</li> <li>CL (Collaborative Learning) for sessions: 4,5,8 and 9 Collaborative learning is used for topics that have many sub-topics and require a deep understanding. This method allows students to focus on the mastery of a particular material and then share and gain an understanding of other material from other students. Under this method, students are divided into groups and discuss the specific cases in Home Group Discussion (HGD) and Focus Group Discussion (FGD). There are several sub-topics for FGD and then all of FGD's topics will be discussed in HDG. In each discussion (FGD and HGD) students will assess their peer in a peer review form. Finally, each group will present the results of discussions with the lecturer as facilitator. Results of the discussion and presentations are expected to improve students understanding about the concept and its implementation. The presentation sessions are also expected to benefit the students to learn from other focus group discussion.</li> </ol>																						
Student Study Effort Expected	<table border="1"> <tr> <td colspan="2"><b>In-Class Contacts:</b></td> </tr> <tr> <td>Lectures</td> <td>32 Hours</td> </tr> <tr> <td>Collaborative Learning</td> <td>10 Hours</td> </tr> <tr> <td>Presentation</td> <td>28 Hours</td> </tr> <tr> <td colspan="2"><b>Other student study efforts (off-class contacts):</b></td> </tr> <tr> <td>Preparation for project/assignment/tests</td> <td>30 Hours</td> </tr> <tr> <td></td> <td></td> </tr> </table>									<b>In-Class Contacts:</b>		Lectures	32 Hours	Collaborative Learning	10 Hours	Presentation	28 Hours	<b>Other student study efforts (off-class contacts):</b>		Preparation for project/assignment/tests	30 Hours		
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Reading List and References	<p>Required Readings:</p> <ol style="list-style-type: none"> <li><b>Godfrey, Jayne, Allan Hodgson, Ann Tarca, Jane Hamilton, and Scott Holmes. Accounting Theory, 7<sup>th</sup> Ed. John Wiley &amp; Sons, Inc. 2010 (GOD) (prescribed text book).</b></li> <li>Scott, William R. Financial Accounting Theory, 7<sup>th</sup> Ed. Pearson Prentice Hall, 2015 (WRS)</li> <li>Ikatan Akuntan Indonesia, Standar Akuntansi Keuangan, Jakarta: Salemba Empat, 2017 (PSAK)</li> <li>Kode Etik Ikatan Akuntan Indonesia.</li> </ol> <p>Supplementary Readings:</p>																						

	Students are expected to actively search for other relevant readings which are relevant to the topics.
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