

ACG 6207 Syllabus V1

Accounting for Risk

Fall 2017 (Module 2)

INSTRUCTOR: Professor Paul E. Madsen

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SURVEY LINKS: I use a number of surveys to collect information from students. I list them together here for your convenience.

- Office hour preferences (used once): <https://goo.gl/forms/npWolG54IYr2lnKE2>
- Outside reading book preferences (used once): <http://goo.gl/forms/wTZpG0jPTs>
- Crisis cause reports (used weekly): <http://goo.gl/forms/ZNxicRe2CH>
- Class participation reporting (used every class): <http://goo.gl/forms/34Uqc7pwe0>

CLASS DATES, TIMES, AND LOCATIONS:

Dates

Module 2 classes are conducted between 10/23/2017 and 12/8/2017

Times and locations

Section 2D42: Mondays and Wednesdays 11:45 – 1:40 PM in Gerson 121

Section 2D43: Mondays and Wednesdays 1:55 – 3:50 PM in Gerson 121

OFFICE HOURS:

- I am always available for a while after class. Just come up and talk to me.
- I will set official office hours to be held in GER 314 using a survey of students.

TEXT AND OTHER MATERIALS: There is no required text for this course. Readings, cases, and problems come from a variety of sources that are specified in the syllabus, chosen by you, and emerging from class discussions during the course of the module.

COURSE OBJECTIVES AND DESCRIPTION: In this course, my objective is to engage you in the study of accounting and risk management. I view this as an invaluable setting in which to explore accounting from a “big picture” perspective. Fascinating questions we will explore include:

- Why does accounting look like it does?
- Why is accounting regulated as it is? Might there be a better way? If there is a better way, why is it not already being used?
- What are the social, economic, and cultural roles of accounting?
- What can society reasonably expect accounting to accomplish?

COURSE STRUCTURE: Class time will be devoted to in-class experiments, lectures, and discussions. Out of class work will primarily consist of reading, researching, and writing about what you are reading and researching.

OUTSIDE READING: To help you be a valuable contributor to the class **you will choose, purchase, and read one of three books I am recommending to you.** These books are:

Title	Authors	Subject(s)	Applicability
Simpler: The Future of Government	Sunstein (He's a lawyer)	Regulatory efficiency, behavioral economics	This book is about making good rules given the limits of expertise in the face of overwhelming complexity. I think his points apply directly to financial reporting and auditing regulation.
Superforecasting: The Art and Science of Prediction	Tetlock (He's a psychologist)	Carefully measuring and evaluating forecasting skill in extremely complex settings.	How to make good predictions. This is important to anyone in any walk of life. As auditors and business people, you're going to have to make predictions. Make them good ones.
Misbehaving: The Making of Behavioral Economics	Thaler (He's an economist)	The battle between assumption-making modelers and people-watching behavioralists over the soul of economics.	This book is about how people actually make decisions, how people named economists assume people make decisions, and reconciling the two. This is important because much regulation (including financial reporting regulation) relies on assumptions about human behavior that are known to be wrong.

Because I want a variety of ideas from these books to be represented in my classroom, I will require that some students read each book. To make this happen, some of you (randomly selected) might not get my permission to read your first-choice book for my class. You'll tell me about which book you want to read using the form at this link: <http://goo.gl/forms/wTZpG0jPTS>

COURSE REQUIREMENTS: This course is designed to be substantive and challenging and I expect you to give it considerable effort. The content we cover is currently, and has long been, the subject of fierce debates among practitioners, regulators, and academics. The primary course requirements are that you become a critical observer of this debate and an active participant in the debate in the classroom. To help us achieve the goals of this course, your grade will be based on:

Grading:

Crisis cause reports	10%
Book quiz	10%
Applied statistics quiz	10%
Class participation	10%
Lecture and homework quizzes	10%
Module-end project proposal	5%
Module-end project	45%

Crisis cause reports: Each week during the first half of the module (these are due each Sunday night before 11:59 p.m.), you will research the alleged causes of any significant financial crisis (a situation in which a substantial chunk of financial assets suddenly lose a large part of their market value) occurring after 1800 which involved the United States. You will submit up to ten reports each week describing your findings using a Google form at the link below. Your grade on this assignment will be based on the

number of your reports that are based on a distinctive and high quality source. Each high quality source is worth one point, which will be divided among the students submitting reports based on that source. If you are the only person to submit a high quality report based on a given high quality source, you will receive 1 point for it. If four students submit high quality reports based on a given source, each student will get 0.25 points. Note that it will be hard for you to know whether your sources are unique. The best ways to ensure that you get a large number of unique sources are 1) to get ten sources each week and 2) to look in places you think other students are unlikely to look.

Hand in your crisis cause reports using the Google form at this link: <http://goo.gl/forms/ZNxicRe2CH>

Book quiz: I expect you to have finished reading your “outside reading” book after Thanksgiving break. You will take a quiz about your book which is intended to be easy for people who read the book and difficult for people who did not.

Applied statistics quiz: In many of my lectures, I’ll teach you how to use statistics to answer basic research questions. I teach you these things because 1) data describing many things is increasingly easy to get and this means that being able to understand statistical analysis and being able to conduct statistical analysis are increasingly valuable skills, and 2) your module-end project (described below) must include some data analysis.

Class participation: Your participation grade will be based on class attendance, my subjective assessment of the quality of your contribution to class discussions, and your success at handing in materials when I ask and how I ask.

The *attendance* portion of your participation grade will be determined solely by your wakeful presence in class. If you miss class, you will receive no points for attendance. If you sleep through any portion of a class, you will receive no points for attendance. Because I understand that extraordinary circumstances may force you to miss a class or two or sleep through a class or two, I will allow you to miss two class sessions for any reason without any loss of points from the attendance portion of your participation grade.

The *quality of your contribution to class discussions* portion of your participation grade will be based on **quality rather than quantity** (in fact, extremely high quantities of comments from one or two students that crowd out the participation of other, more measured students, will count against the talkers). You should strive to be a valuable member of the intellectual community the class represents. **Full credit for participation does not require you to be an expert or to be “correct.”** If you feel insecure about your level of relevant knowledge, ask questions! Thoughtful questions will be especially generously rewarded in participation grades. I will assign this portion of the participation grade to students according to my subjective assessment of the quality of his/her participation. I define “quality” participation as questions or comments that are relevant and also informative, intellectually provocative, controversial, novel, or creative. I expect members of the class to disagree with each other. Please be civil when you disagree. What I mean by this is you should feel free to engage in calm or heated discussions of ideas about which you disagree but you should never make personal attacks. To help me keep track of your participation in class discussions, I have created an online form that I would like you to fill out and submit to me describing how you participated in each class session. It is at this link: <http://goo.gl/forms/34Uqc7pwe0>

The *timely submission of requested materials* portion of your participation grade is determined by your skill at following simple directions. I ask you a few times during the module to send me simple things,

like your book selections. You will receive full credit if you submit such things to me on time and with the form and content I have requested.

Lecture and homework quizzes: Some classes will begin with a short and simple quiz. The intent of this requirement is to encourage you to do the homework assignments and readings and to pay attention during class. Because I understand that you may have to miss class on occasion, I will allow you to miss one quiz. For your first missed quiz you will receive as your grade the class average grade. If you miss additional quizzes, you will receive zero points for those quizzes. Because I don't want to penalize students that do not miss classes, if you never miss a quiz and your score on one of the quizzes was below the class average, I will increase your score on that quiz to be equal the class average.

In previous classes, some students have cheated on quizzes by looking at the answers of students near them while taking the quiz. This is pretty easy to see from the front of the room (where I am standing). If I see you do this, I will warn you and may ask you to move to another seat. If after one warning I observe you cheating again, you will receive zero points on all quizzes I give during any session of my class. **It is in your interest to be sure that you never even appear to be cheating.**

Module-end project proposal: Just after Thanksgiving break, you will hand in a one page proposal describing what you plan to do for your research project. This proposal should have the following sections:

1. Research question
 - Should be one or two sentences long.
2. Steps I(we) have taken to ensure that this is an unanswered question
 - Tell me about your literature review. You should search resources like Google, Google Scholar, ABI/Inform, and JSTOR to find existing research examining questions related to your research question and you should read/skim things that you find that appear to be related. Your goal should be to figure out 1) what is currently known about the question so that you can design your project to do something new, and 2) the methods that have been used in this research so you can be inspired about how you might test your question.
3. Data
 - Tell me about the data you plan to use and how you plan to get it. Make this detailed enough that I will know what variables you expect to have.
4. Tests
 - Tell me about the statistical tests you plan to use. Make this detailed enough that I know what statistical tests you're going to conduct on which variables.

Module-end project: At the end of the module you will turn in a project you have chosen for yourself. The requirements for the project are that it should be a research project designed to help you better understand any aspect of the relationship between accounting and financial crises. Students often struggle to choose a topic and ask me for advice. I am very happy to discuss your ideas with you before or after class or in office hours. My answer is always that you should choose a module-end project that genuinely interests you because then you will be motivated to think hard and work hard. Projects that are the product of genuine curiosity are just plain better for you to prepare and for me to read, and they receive higher grades.

You are welcome to cooperate with your fellow students or anyone else and/or to work together in groups of your choosing. If you work in a group, I will expect your project to be of higher quality than

projects prepared by a single student. The research project should involve 1) identifying an unanswered question about the relationship between accounting and financial crises, 2) designing a way of answering some aspect of the question using either an archival data analysis or an experiment using human subjects, 3) conducting the research project (I will provide class time and experimental subjects, your classmates, to any individuals or groups looking to run an experiment), and 4) writing a report effectively describing your project in 5 pages of text or less (tables, figures, appendices, and bibliographies can push the length past 5 pages without penalty).

Grades for the module-end project will be assigned based on my subjective assessment of its relative quality. I define a high quality project as one that:

1. Identifies a truly unanswered question AND shows me that your question is unanswered by referencing and discussing existing high-quality literature (articles from academic journals, not newspaper articles or opinions from blogs) on the subject.
2. Uses methods and a research setting that could reasonably be expected to help answer an important aspect of the question.
 - a. Note that even a reasonable test may fail to find results. This portion of your grade is not based on whether or not you get results. It is based on whether or not the tests were reasonable.
3. Executes and interprets the data analysis effectively.
4. Could be described using several of the following words: creative, informative, compelling, provocative, novel, or useful.
5. Is well written, meaning:
 - a. it is easy for me to understand the meaning of your sentences,
 - b. your sentences are organized into coherent paragraphs,
 - c. your paragraphs together have the characteristics of the “high quality project” as defined in numbers 1-4,
 - d. the claims you make are reasonably and explicitly justified by evidence from prior literature or from your own data analysis, and
 - e. you give credit to any and all sources you used in the preparation of your project by appropriately citing them in the text and by preparing a bibliography that is detailed enough that I can easily find the source material.

Assigning your course grade: You will receive some number of points out of a maximum possible number of points on each graded assignment. I will periodically post on e-learning each student’s earned points (which can be viewed only by that student) and information about the distribution of points earned by other students in the class. Letter grades will be assigned at the end of the module according to relative class standing (this means grades are “curved”). Final grades will be assigned based on the following scale:

- 85th to 99th percentile: A
- 70th to 84th percentile: A-
- 55th to 69th percentile: B+
- 10th to 54th percentile: B
- 1st to 9th percentile: B or lower

First, note that this scale means that most of you will be B grades or better. Getting an A is not easy. Also note that percentiles are a measure of rank relative to other students and are not the same thing as the percent of possible points you earned during the course. For example, a student that earned 70% of

the possible points in the class could be in the 95th percentile of the class (if the points they earned, 70% of those available, are greater than the points earned by 95 percent of the other students in the class) or it could be in the 60th percentile of the class (if the points they earned, 70% of those available, are greater than the points earned by 60 percent of the other students in the class and less than the points earned by 40 percent of the other students in the class).

Students whose performance falls in the bottom 9% for the class (meaning, their final course grade is between the 0th and 9th percentile) will receive a grade as high as a B and as low as an E. I will make a subjective assessment of the grade they deserve based on the proximity of their total course grade to the grades of other students. Students whose total course grade is very near the total course grades of students in the 10th percentile will receive Bs, students whose total course grade not near the total course grades of students in the 10th percentile will possibly receive grades lower than B.

MISCELLANEOUS MATTERS:

- Requirements for class attendance and make-up exams, assignments, and other work in this course are consistent with university policies that can be found at: <https://catalog.ufl.edu/ugrad/current/regulations/info/attendance.aspx>.
- Please be civil during class discussions. This means taking turns and avoiding personal attacks. Criticism of another person is unacceptable. Criticism of another person's ideas is acceptable and expected.
- Go ahead and look at Facebook, news, and your favorite gambling websites (as long as they're legal) during class. I am willing to compete with these things for your attention. But, if you miss something I say in class because your attention was focused on something else, it was your fault and you should take responsibility for your choices.
- Please arrive to class on time.
- Please do not come in and out of the room during class. This is distracting and disrespectful. I understand that there are rare circumstances that will require you to leave the room during class. Frequently leaving your seat during class can affect your participation grade.
- Please silence your cell phones before class.
- Please come and talk to me if you are unhappy about any aspect of the class. I want the class to be satisfying for as many students as possible.
- I expect you to follow the UF Student Honor Code which is available here: <http://regulations.ufl.edu/regulations/uf-4-student-affairs/>. If you cheat and I catch you, I will report you to UF's Division of student affairs. Penalties for cheating can include the loss of points on individual assignments, adjustments to final class grades, or in extreme cases, suspension or expulsion from UF.
- Students with disabilities requesting accommodations should first register with the Disability Resource Center (352-392-8565, www.dso.ufl.edu/drc/) by providing appropriate documentation. Once registered, students will receive an accommodation letter which must be presented to me when requesting accommodation. Students with disabilities should follow this procedure as early as possible in the semester.
- Here is information on UF's current policies for attaching grade points to course grades: <https://catalog.ufl.edu/ugrad/current/regulations/info/grades.aspx>.
- Students are expected to provide feedback on the quality of instruction in this course by completing online evaluations at <https://evaluations.ufl.edu>. Evaluations are typically open during the last two or three weeks of the semester, but students will be given specific times

when they are open. Summary results of these assessments are available to students at <https://evaluations.ufl.edu/results/>.

- For your sake and for the sakes of your family, friends, and everyone who loves you, please get help if you are suffering. This class and your degree are important, but your welfare is more important. The University of Florida provides resources to support students in distress. These resources are described on the “u matter” webpage (<http://www.umatter.ufl.edu/>). From the “u matter” webpage:

“Your well-being is important to the University of Florida. The U Matter, We Care initiative is committed to creating a culture of care on our campus by encouraging members of our community to look out for one another and to reach out for help if a member of our community is in need. If you or a friend is in distress, please contact umatter@ufl.edu so that the U Matter, We Care Team can reach out to the student in distress. A nighttime and weekend crisis counselor is available by phone at 352-392-1575. The U Matter, We Care Team can help connect students to the many other helping resources available including, but not limited to, Victim Advocates, Housing staff, and the Counseling and Wellness Center. Please remember that asking for help is a sign of strength. In case of emergency, call 9-1-1.”

PRELIMINARY COURSE OUTLINE (subject to amendment at the request of the students)

Date	Class Period	Topic
10/23	1	Introduction and simulation #1
10/25	2	Market efficiency theory and research methods
10/30	3	Simulation #2
11/1	4	Derivatives, hedging, and value at risk
11/6	5	Simulation #3
11/8	6	Securitization, incomplete information, and adverse selection
11/13	7	Simulation #4
11/15	8	Fair value accounting
11/20	9	Stats quiz and data collection
11/22	10	NO CLASS. Thanksgiving Holiday.
11/27	11	Simulation #5
11/29	12	Banking and capital markets regulation
12/4	13	Data collection
12/6	14	Conclusions

DETAILED COURSE OUTLINE: Will be released by 10/23 (the first day of class).