Bachelor-Seminar
“Contemporary Issues in International Accounting”
Summer Semester 2018

Description:
This course engages students in the critical analysis of various contemporary issues, which are drawn from both academic and professional literature and are highly topical cases of international accounting. The course introduces students to the general nature of approaches in relation to issues currently confronting the accounting profession. In this context, the course reflects a diversity of accounting issues that contribute to a collective understanding of interactions between organizations, markets and society with the role of international accounting. The course challenges students to develop positions on various issues. It further challenges students to improve their skills in critical thinking, academic writing and effective oral communication and presentation. In total, the course serves as a great preparation for any future bachelor thesis.

Application:
The seminar is limited to 24 students. The prerequisite for taking the seminar is participation in the class “International Accounting”. Interested students can apply until 24 April 2018 by sending an e-mail to accounting@europa-uni.de. The application e-mail needs to include a current, up-to-date transcript of records and three preferred topics for the paper selected from the topics listed and explained below. All students accepted and refused will be informed until 7 May 2018. All students accepted will receive their assigned topic on 9 May 2018.

Proceedings:
– On Wednesday, 9 May 2018 from 14.15 until 17.45 an introductory class will be held, including a short introduction into the different topics along with an introduction into academic writing. Please note that attendance of this class is mandatory.
– Two content meetings to discuss the structure of the seminar paper will be held during the time of the seminar. The first content meeting will be a one-on-one discussion with the respective supervisor and will take place on 5/6 June 2018 with a duration of 20 minutes per participant. The second content meeting will take place on 19/20 June 2018 (times to be confirmed after application deadline closes). Both meetings have to be attended by all seminar participants.
– All seminar papers are to be handed in at the Chair’s secretary by 29 June 2018 in form of a print-out. In addition, all seminar papers are also to be handed in electronically via e-mail to the respective supervisor on the same day.
– The presentation of all seminar papers will take place on 3 July 2018 from approx. 13.00 until 17.45 and on 4 July 2018 from approx. 9.15 until 15.45. Attendance of both presentation days is mandatory.

Seminar responsibility: Prof. Dr. Sonja Wüstemann

Seminar supervisors: Prof. Dr. Sonja Wüstemann and Annemarie Conrath-Hargreaves, M.Sc.
Topics:

**Topic 1:**

The phenomenon IFRS – An examination of the rise of private accounting standards

**Working Instructions:**

More than 120 countries require or permit the use of IFRS by publicly listed companies on the basis of higher information quality and accounting comparability from IFRS application. A prominent example is that of the EU, in which publicly listed companies are required to draw up their consolidated financial statements in accordance with the IFRS since 1 January 2005. The decision to require mandatory adoption in the EU was aimed at enhancing the transparency and comparability of financial reporting across the EU, which, in turn, would lead to a lower cost of capital for business and increased cross-border capital flows. The adoption of the IFRS by the EU is seen as the catalyst for the rise of the IFRS worldwide. Yet, several questions remain: Why do countries decide to adopt the IFRS and does adoption mean that the IFRS are adopted as issued by the IASB? It further raises the question how it came to be that the IFRS are now used worldwide. In this context, the seminar paper shall, in a first step, examine why the EU decided to adopt the IFRS and what spill over effects the EU’s decision had on other countries. In a second step, other countries shall be examined in form of a case study to explore the differing reasons for IFRS adoption around the world. In a third step, the seminar paper shall clarify whether all countries adopting IFRS actually apply the IFRS as set by the IASB. The aim of the seminar paper is to use existing academic literature to assess why countries decide to adopt IFRS and in what form. Particular attention should be paid to financial, economic and social factors.

**Pointers to basic literature:**


Topic 2:

IFRS in the EU – A Reflection and Future Perspective on the Endorsement Process

Working Instructions:

Since 2005, all publicly listed companies in the EU have to prepare their consolidated financial statements in accordance with IFRS. It has been more than ten years since Regulation 1606/2002, the so-called ‘IAS Regulation’ was adopted. Because standards are issued by an international private organisation, the IASB, they must undergo the endorsement process before becoming law in the EU. The IAS Regulation specifies that as a condition to being brought into EU law, an IFRS standard should not be contrary to the “true and fair” view principle, must be conducive to the European public good and meet the criteria of understandability, relevance, reliability and comparability. These endorsement criteria have – more than once – given ground to discussions concerning the adoption of an IFRS standard, particularly evident with regard to the most recent example, the endorsement of IFRS 9. In 2015, the European Commission issued a report to the European Parliament and the Council in which it evaluates the IAS Regulation with regard to the application and endorsement of international accounting standards. The evaluation also took account of the recommendations of the so-called ‘Maystadt-Report’, which suggests a revision or adjustment of the endorsement criteria. Against this background, the seminar paper shall give an overview of the endorsement process itself and critically analyse the possible future revision of the endorsement criteria by conducting a literature research focused on criticism published in the past.

Pointers to basic literature:


Topic 3:
The Conceptual Framework Project – Discussion of the Fundamental Concepts of IFRS

Working Instructions:
The Conceptual Framework describes the objective of, and the concepts for, general purpose financial reporting. The overall objective of the Conceptual Framework project carried out by the IASB is to improve financial reporting by providing a more complete, clear and updated set of concepts. This is particularly important because the Conceptual Framework assists the IASB to develop standards that are based on consistent concepts, it assists preparers to develop consistent accounting policies when no standard applies to a particular transaction or event, or when a standard allows a choice of accounting policy, and it assists others to understand and interpret the standards. The IASB’s existing Conceptual Framework was developed in 1989. However, the material on the objective of financial reporting and on the qualitative characteristics of financial information was revised by the IASB in 2010 as the result of a joint project with the US national standard-setter, the FASB. Although the existing Conceptual Framework has helped the IASB to develop and revise standards, issues in relation to the Conceptual Framework arise, such as that some important areas are not covered, the guidance in some areas is unclear and some aspects of the existing Conceptual Framework are out of date. After carrying out a public consultation on its agenda in 2011, the IASB identified the Conceptual Framework as a priority project and subsequently restarted its Conceptual Framework project in 2012. Following the responses on the Discussion Paper *A Review of the Conceptual Framework for Financial Reporting*, which was published in July 2013, the IASB published an Exposure Draft that sets out the proposal for a revised Conceptual Framework in May 2015. In this context, the seminar paper shall describe and critically analyse the changes in the objectives and the qualitative characteristics between 1989, 2010 and 2015 by taking academic literature and publications by the IASB into account.

Pointers to basic literature:


Topic 4:

Measuring non-financial assets to provide decision-useful information – Fair value vs. historical cost accounting

Working Instructions:

When measuring non-financial assets, preparers have the choice to either use the cost model or to apply the revaluation model. While under the former non-financial assets are measured using historical cost, the latter requires the determination of fair values. Given that the purpose of IFRS reporting is to provide information useful for decision-making, the question arises what kind of measurement provides information that is more decision-useful for the capital market in general and investors in particular. At first sight, fair value accounting seems to be able to depict reality more closely and thus provide more relevant information. However, due to the fair value hierarchy established in IFRS 13, issues of reliability in the determination of fair values arise under certain circumstances. Based upon a thorough literature research, the seminar paper shall at first determine what it means to provide decision-useful information according to the IASB Conceptual Framework by exploring the notion of relevance and faithful representation. Secondly, the paper shall use current literature to show which measurement basis has the potential to provide both relevant and faithfully represented information that is useful for decision-making and under what circumstances. For this, the paper shall discuss the advantages and disadvantages of both fair value and historical cost accounting in light of the qualitative characteristics of relevance and reliability. Throughout, the paper shall consider that the shift from historical cost accounting to fair value (“current value”) accounting did not start at the level of accounting practice, but was initiated on the level of academic accounting theory and standard setters.

Pointers to basic literature:


**Topic 5:**  
Influence of Lobbying on International Accounting Standard Setting

**Working Instructions:**  
Lobbying in accounting standard setting has been researched and has, since then, received increasing attention in both academic literature and the professional accounting context. The idea that certain groups play a vital role in the change of accounting has been modelled as lobbying, focusing on questions of participation in the standard setting process and lobbying behaviour. While some researchers find that lobbying success is positively related to the ability of the lobbyist to provide information to the standard setting body (in the case of the IFRS, the IASB), others find that success is also due to the impact lobbyists have on the viability of the IASB in terms of their financial contributions and the size of the capital market in their home country. Again, some researchers reach the conclusion that the IASB considers primarily conceptual arguments (in contrast to self-interest arguments), and that no interested party has a dominant influence. In this context, the seminar paper shall present an analysis of the struggle for power within the international accounting arena by examining debates surrounding the adoption of IFRS. To achieve this, the paper shall firstly present the IASB’s due process, the parties involved in standard-setting and the IASB’s conflict between the aim to develop conceptually sound (“high-quality”) standards and to seek acceptance among constituents. In a next step, the incentives and different forms of lobbying shall be depicted on the basis of related literature. Finally, the paper may choose an example to illustrate the findings, for example the EU involvement during the financial market crisis or the recently completed standard setting project on revenue recognition (IFRS 15).

**Pointers to basic literature:**  


Topic 6:

Convergence of IFRS with US GAAP – A Never Ending Story?

Working Instructions:

Literature argues that the world’s capital markets stand to benefit significantly from widespread acceptance and use of global accounting standards that are high quality, comprehensive and rigorously applied. After the EU introduced mandatory application of IFRS for listed companies in 2005, the US Securities and Exchange Commission (SEC) announced in 2007 a series of actions it intended to take in relation to the acceptance of IFRS. However, while many of the world’s capital markets now require IFRS, the US remains one of the major capital markets without an IFRS mandate and with no current plans to change. Continued global adoption of IFRS affects US businesses through cross-border, merger and acquisitions in addition to statutory reporting purposes and public filings. From an investor perspective, the need to understand IFRS is arguably even greater than from a preparer perspective as US investors keep looking overseas for investment opportunities. For example, recent estimates suggest that more than $9 trillion of US capital is invested in foreign securities. Moreover, the US market is open to non-US companies that prepare their financial statements using IFRS, with currently more than 500 non-US filers with a market capitalization in the multiple of trillions of US dollars without reconciliation to US GAAP. Hence, while the IASB and the US GAAP standard setter FASB focus on improving the quality of their standards, they also, where possible, aim to reduce differences between IFRS and US GAAP. In this context, the paper shall address the issues underlying convergence of IFRS with US GAAP by firstly, addressing why both boards (IASB and FASB) strive towards convergence and, in particular in which cases. Secondly, the paper shall explore how decisions that promote or alienate convergence are made by the boards and, thirdly, in what cases convergence is successful or unsuccessful. To achieve this, the paper shall explore academic literature and the material which is publicly available from the due process of the IASB and FASB.

Pointers to basic literature:


Topic 7:

Accounting Discretion in Goodwill Impairment Testing

Working Instructions:

IFRS 3 requires the recognition of derivative (acquired in a business combination) goodwill. In contrast, recognition of internally generated goodwill is, due to issues of reliability, still not possible. Until 2004, when subsequently measuring the acquired goodwill, IAS 22 required its amortization over a useful life of 20 years. Through the publication of IFRS 3 and the revision of IAS 36 amortization of acquired goodwill was abandoned and replaced by – what proves to be in practice a highly complicated procedure – the so-called impairment test. According to IAS 36, the acquired goodwill is to be tested on a yearly basis for possible impairment. Although IAS 3 was revised in order to improve the accounting treatment of goodwill, it has been criticized on the grounds of managerial discretion inherent in the impairment test. The seminar paper shall explore the room for managers’ use of discretion in determining goodwill impairment losses following the revision of IAS 36. Therefore, in a first step, the complex goodwill impairment test shall be explained and then, in a second step, be critically analysed with regard to identifying any room for discretion. In doing so, the seminar paper shall take academic (empirical) literature into account to explain how companies use potential room for discretion (e.g., whether or not companies use potential room for discretion to manage their earnings or whether firms simply adopt an approach suited to their organizational and economic structures).

Pointers to basic literature:


Topic 8:
The organization of transnational standard-setting and its importance for achieving legitimacy: The case of International Public Sector Accounting Standards

Working Instructions:
The IFRS are set by the International Accounting Standards Board (IASB), a private non-profit organization. With the IFRS being applied in more than 120 countries worldwide, the IASB is tasked with the exclusive right to set international standards for financial reporting. In the shadow of the IASB, another private standard-setting body, the International Public Sector Accounting Standards Board (IPSASB), has emerged on the international scene. Different to the IASB, which concerns itself with corporate accounting standards, the IPSASB uses the IFRS as a basis to develop accounting standards for use by public sector entities. The role of the IPSASB has become especially important since 2012, when the EU proposed to harmonize public sector accounting by adopting European Public Sector Accounting Standards (EPSAS). Due to the fact that they are developed and issued by private bodies, the IFRS and IPSAS are not mandatory and have no authority unless they are endorsed and thus transferred into national law by the respective country, whereby legitimacy is a core element of promoting IFRS and IPSAS acceptance. The singularity of accounting standard-setting in the transnational sphere raises important questions concerning the institutional setting of accounting regulation, the involvement of stakeholders and the quest for authority to issue global rules. More precisely, it raises questions about how bodies establish and maintain their legitimacy and accountability outside the sovereignty of democratic states. Given this background, the seminar paper shall, in a first step, provide an overview of the IPSASB’s current structure, the importance of core actor groups and recent changes in dealing with the interested public, including the establishment of a governance review group, the Public Interest Committee (PIC), and a consultative advisory group (CAG). In a second step, the paper shall take an in-depth look at the IPSASB’s consultation procedures as a specific approach to enhance the organization’s legitimacy. As such, the paper shall discuss the importance of legitimation for cross-border private self-regulation by drawing on relevant academic literature that has been published with regard to the IASB and IPSASB. In particular, the paper shall use the academic literature published on the IASB’s legitimacy to suggest necessary steps to be taken by the IPSASB.

Pointers to basic literature:


