

Accounting's positivistic tendencies

[Business](#), [Accounting](#)



This written Comprehensive Professional Portfolio is comprised of individual and group tasks which are to be completed within tutorials and will require further work and writing up outside of the classroom. These set of tutorial activities extending till the end of the session, are intended to take you through a learning journey of exploration and development.

They have been specifically designed to incorporate not only a real-life perspective to your university learning but also to further enhance graduate capabilities such as your ability to engage in critical, analytical and integrative thinking, problem solving and research capability, socially and environmentally active and responsible citizens and the ability to exercise professional and personal judgment and initiative, into your final year experience. It is with this in mind that we hope you will be equipped with the skills necessary for higher level study and effective professional performance.

Thought Activity We would like you to take some time between your ‘ Positivistic tendencies: Human nature or scientific necessity’ class and your tutorial the following week to complete the activity outlined below. Find yourself (or with a group of friends from ACCG 399) a copy of the Inside Job documentary film - <http://www.imdb.com/title/tt1645089/>. You should be able to find this film to hire in most rental stores around Sydney and may also be able to locate in some public libraries. You will need to watch this film.

During your viewing of the film you should write brief notes on key individuals (or groups) identified in the film and their roles. You should also

be constantly thinking of the links this film has towards Positive Accounting theory and its underlying assumptions. Directly after, write a description of your reactions and feelings towards the film and its contents in the space provided below. Inside Job is a documentary that encompasses everything we would need to know about what exactly happened in the Financial Crisis, and what we are need to facing today.

This documentary begins by indicating how Iceland was highly deregulated in 2000 and the privatization of its banks policy and lead to the whole country bankrupt. the series of events became the blasting fuse of financial crisis, and it lead to the rest of world went into a global recession. This film divided by five parts, which are “ How we got here”, “ The Bubble”, “ The Crisis”, “ Accountability” and “ Where we are now. ” The first Part was called “ How we got here”. This essentially talked about what events led up to this massive financial crisis.

The first parts indicate that the American financial industry was deregulated for a long period. The deregulation lead to a saving and loans crisis, the taxpayers burden the losses. Lots of financial sectors merge as a few large-scale companies gradually. This part introduces the derivatives and collateralized debt obligations (CDOs), and it also shows the relationship between rating agencies and CDOs. In the end of first part, the films describe the subprime loan such like predatory lending. Many borrowers could apply for the loan which they cannot afford them.

The background of “ the bubble” is due to the housing boon, money borrow ratio by an investment bank versus the bank's own assets achieve

unparalleled levels. The three largest rating agencies provides the incorrect assessment result, and given some instruments triple-A. The crisis accompanied with the market collapsed, many companies and banks bankruptcy. Although the Paulson asked Congress for \$700 billion to bail out the banks, the financial industry still suffers unprecedented losses. This great crisis also present that the top executives of the insolvent companies have priority their own personnel interest.

Owing to the great crisis, the unemployment rates increase dramatically. The administration should implement new police and regulation to deal with the problems with rating agencies, lobbyists and executive compensation. I believe that anyone watching just the first part of this documentary can make the assumption that we were going downhill with all these unstable inventions that were supposed to bring in more turmoil for the rest of the world. In order to reporting accuracy, they interview lots of people to indicated this fact rather than merely provide neutral opinion.

In addition, the film illustrates some data and provides some powerful reports to support their viewpoint. The following parts also explain the main factors result in the financial crisis, and the economic recession. The film also emphasis on the investor and related parties should burdened accountability what the challenge we need to face. Positive accounting theory refers to the branch of academic research in accounting[-> 0] that seeks to explain and predict actual accounting practices. These contrasts with normative accounting[-> 1] theory, that seeks to derive and prescribe " optimal" accounting standards.

In other words, the accountant should to obey the standard accounting rules and regulation to prepare financial report and they must utilize optimal accounting standards. But in this film, lots of accountants prepare the misleading financial report, which make the potential investors and shareholders believe that companies still operate profitability, and on-going development. Actually, the companies already make huge loss, It was not real profit or income; it was money created by the system and booked as income.

The board of directors avoid their own financial damage, they never led the investors knew the real position of the companies. As a consequence, the investors and creditors suffer huge loss. The action of accountants for the sake of their own self-interest and conflict the interest of public, it was violate the standard accounting rules and regulation. We need to base on the positive accounting theory to derive and prescribe and optimal accounting standard and utilize this to the companies operate.