



Accounting, Controlling, and Taxation

Performance Measurement and Incentive Systems

Summer Semester

Institute:	Institute for Accounting and Control
Lecturer:	Prof. Dr. Christian Hofmann
Assistant:	
Weekly hours:	4
Credits	6 ECTS
Examination:	Exam + Presentation
Prerequisites:	
Course Material:	

Course Description & Main Objectives

The course considers the use of accounting information for performance evaluation and in the de-sign of incentive systems (decision-influencing role of accounting information). The course initially focuses on efficient risk sharing between shareholders of a firm. Next, the course proceeds to ex-plore optimal incentive contracts with different information systems. Several examples illustrate the material covered in class.

After participating in the course, students will gain a better understanding of the incentive effect of accounting reports and their use as performance measures.

Lectures Overview/ Course Outline

Lecture Schedule

No.	Date	Description	Lecture Notes/ E-Book	Additional reading mate- rial
Part A: Introduction				
1	16/04	Fundamental Concepts in the Economic Analysis of Incentives	Lecture notes, pp. 1-10	BSZ Chapter 10
Part B: Incentives				
2	23/04	Introduction to Principal-Agent-Theory and Risk Sharing in Partnerships	Lecture notes, pp. 13-32	BSZ Chapter 10, 11, 15 D Chapter 13
3	30/04	Analysis of Incentives in a Principal-Agent-Framework - Part 1	Lecture notes, pp. 36-56	BSZ Chapter 15, AG Chapter 12
4	07/05	Analysis of Incentives in a Principal-Agent-Framework - Part 2	Lecture notes, pp. 36-56	BSZ Chapter 15, AG Chapter 12
Part C: Performance Measurement				
5	14/05	Aggregation of performance measures, Controllability-Principle	Lecture notes, pp. 66-75, 83-98	BSZ Chapter 15, 16 D Chapter 14, 16
6	28/05	Performance measure congruity Relative Performance Evaluation	Lecture notes, pp. 123-129 , pp. 105-117	BSZ Chapter 15 D Chapter 15 BSZ Chapter 16
7	04/06	Information Content and Recognition of Accruals	E-book, Chapters 15 & 16	
8	11/06	Subjective Performance Evaluation		
Part D: Hierarchies				
9	18/06	Spillovers	E-book, Chapter 18 Lecture notes, pp. 134-147	BSZ Chapter 12, 13, 17 AG Chapter 4, 5 D Chapter 16
10	25/06	Incentives in hierarchies		

Literature

The class material consists of lecture notes, lecture slides, and the book “Accounting Theory: An Information Content Perspective” by J. A. Christensen and J.S. Demski (2003).

Additional reading material

- Brickley, J. A./ Smith, C. W./ Zimmerman, J. L. (2021): Managerial Economics and Organizational Architecture, 7th ed., New York City, NY: McGraw Hill. [BSZ]
- Demski, J.S. (2008): Managerial Uses of Accounting Information, 2nd ed., New York City, NY: Springer US. [D]
- Anthony, R./ Govindarajan, V. (2006): Management Control Systems, 12th ed., New York City, NY: McGraw Hill. [AG]