INTRODUCTION

This subject is for users rather than preparers of accounting information. The subject covers primarily financial accounting with a component of management accounting. The focus is on the understanding and the use of accounting information, the composition and meaning of the financial statements prepared for resource providers, and the use of accounting systems to manage the creation of value within an organisation.

OBJECTIVES

The objectives of this subject are to introduce you to accounting and to provide both a conceptual and a practical understanding of its basic principles. Familiarity with the fundamentals of double-entry recording procedures provides a basis for the interpretation of financial reports but a detailed examination of the double-entry system is beyond the scope of this course.

Students may substitute ACCT5930 Financial Accounting for ACCT5901 Accounting: A User Perspective. The course ACCT5930 will be more appropriate for students specialising in Accounting, Actuarial Studies, Banking, Finance, Funds Management, International Finance and Risk and Insurance. While ACCT5901 has a strong focus on using financial reports, ACCT5930 includes both user and preparer perspectives with a more thorough analysis of the construction of financial statements.

Upon completion of this subject it is expected that students will be able to:

- describe the purpose and use of the major external financial statements (balance sheet, profit and loss, and cash flow statement)
- identify the differences between cash accounting and accrual accounting
- develop a basic understanding of the double-entry system via transaction analysis
- interpret balance sheets, profit and loss statements and cash flow statements
- apply financial ratios to assist in the analysis of financial statements
- explain the effect that various accounting policy choices have upon the preparation of the major external financial statements
- understand the differences between financial and management accounting
- appreciate how management accounting information is used in measuring value creation in an organisation
- apply cost-volume-profit analysis to planning decisions
- understand the relationship between customer value and shareholder value creation
- explain the ‘balanced scorecard’ concept
NON-TECHNICAL COURSE OBJECTIVES

In addition to these “technical” objectives, the course aims to develop students' communication, teamwork and presentation skills. Each of these skills are increasingly important in today’s business environment and, to recognise this, successful completion of this course will require the student to demonstrate competence in these areas. Further details of these requirements are provided in the Course Assessment details below and will be discussed in the seminars.

COURSE STRUCTURE

The course consists of weekly, 3 hour seminars, as indicated in the timetable at the end of this outline. Seminars form the learning experience for this subject. Seminars will be devoted to examining problems and case materials set each week. It is intended that staff will facilitate learning by clarifying issues and problems raised by students during the seminar. It is expected that, with the exception of the first seminar, students will have previewed set reading material prior to the seminars. Students are expected to be prompt in their attendance at seminars as late arrival is distracting and disruptive to the class. **Please note that the university requires you to attend at least 80% of classes – failure to meet this requirement may result in an Unsatisfactory Fail grade.**

In most seminars, the format will be approximately as follows

<table>
<thead>
<tr>
<th>Time</th>
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<tbody>
<tr>
<td>30 mins</td>
<td>Review of previous topic’s material and homework questions</td>
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<tr>
<td>60 – 75 mins</td>
<td>Introduction of new material</td>
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<tr>
<td>30 – 40 mins</td>
<td>Preparation of assigned questions in table groups</td>
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<tr>
<td>30 – 40 mins</td>
<td>Presentation of assigned questions by student table groups</td>
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In addition to the questions completed in table groups during seminar time, students are expected to complete a number of homework questions before the following week’s seminar. Completion of these homework questions will form part of the student’s assessment. Assigned questions for Topic 1 to 8 will be set from the Trotman and Gibbins text. Questions for the final 3 topics are provided in a supplementary readings package.

Further details on the format of each seminar will be provided in during the first seminar.
**ASSESSMENT**

<table>
<thead>
<tr>
<th>Quiz</th>
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<tr>
<td>Mid-session Test</td>
<td>20%</td>
</tr>
<tr>
<td>Homework Question Submission</td>
<td>5%</td>
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<tr>
<td>Teamwork</td>
<td>5%</td>
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<tr>
<td>Group Assignment</td>
<td>15%</td>
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<tr>
<td>Final Exam</td>
<td>50%</td>
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100%

**Quiz (5%)**
A thirty-minute quiz will be held in class in Seminar 5 (week commencing Monday 29 March 2004), covering work from Topics 1-3. The quiz will be held at the beginning of class and no supplementary quizzes will be offered. The quiz will take the form of short answer or multiple-choice questions. Previous examples of quizzes are included in your past examinations package.

**Mid-session Test (20%)**
A mid-session test will be held on Wednesday 28 April 2004 at 6.15pm. The mid-session test will cover work from Topics 1-6. Questions may be a combination of multiple choice, short answer discursive questions and practical calculative questions. Previous mid-session tests are provided in your past examinations package.

**Homework Question Submission (5%)**
Each week, students will be assigned a series of homework questions to be completed prior to the following week’s seminar. A number of these will be collected at random throughout the semester and assessed. The assessment will focus upon the effort made by the student to complete the assigned questions, with less emphasis placed upon whether the student’s submission is technically correct.

**Teamwork (5%)**
Each week, students will work in table groups to complete and then present a number of assigned questions on the topic under consideration as well as with this group to complete the group assignment. During this time, each student will be assessed to determine their ability to assist their team successfully complete their assigned tasks. This will include not only their ability to demonstrate technical competence, but also their ability and willingness to contribute to table discussion and to act professionally toward other team members.

**Group Assignment (15%)**
The assignment for this subject will require groups of students to examine a set of financial statements for a company. Further details on the assignment are contained in your assignment package. Most the work to complete this assignment will need to be conducted outside normal seminar time. However, the course timetable allows for a teaching free week in the week commencing Monday 17 May 2004, during which time students may find it beneficial to meet in their groups to complete the group assignment. The assignment is due in class at the beginning of Seminar 10 (in the week commencing Monday 24 May 2004). Failure to submit report on time will attract a 10% penalty for each 24 hour period (or part thereof) the assignment is late. For example, irrespective of the mark awarded, 1.5 marks will be deducted for each day (or part day) the assignment is late.
Final Examination (50%)
The final examination will be held in the normal exam period at the end of the Semester. Relevant previous final examination papers are provided in your past examinations package.

SUPPLEMENTARY EXAMINATIONS

The supplementary final exam will be held in the week following the final exam. You should take this into consideration when organising work or travel commitments. If you are not available on the date of the final exam, or cannot be contacted prior to the date of the examination, no further recourse will be available to you. You will be advised by email to your student email address whether you are required to attend a supplementary examination. It is therefore essential that all students advise one of the lecturer’s of their email address.

However, supplementary exams will only be granted in certain, predetermined circumstances. Students should NOT request a supplementary exam.

SATISFACTORY PERFORMANCE

To be eligible for a passing grade in this subject, students must perform at a satisfactory level in the final exam (for example, achieve a mark of 45% or greater). Failure to do so may result in either a supplementary examination being required or the award of an Unsatisfactory Fail grade. Please note also that a failure to attend more than 80% of classes may also result in the award of an Unsatisfactory Fail grade.

STUDENT SUPPORT SERVICES

Equity and Disability Unit

Those students who have a disability that requires some adjustment in their teaching or learning environment are encouraged to discuss their study needs with the subject co-ordinator prior to, or at the commencement of their course, or with the Equity Officer (Disability) in the EADU ph: 9385 4734. Issues to be discussed may include access to materials, signers or note-takers, the provision of services and additional exam and assessment requirements. Early notification is essential to enable provision to be made.

Education Development Unit

Additional learning support, tailored to the needs of FCE students, is available from the Education Development Unit (EDU) in the Faculty. The EDU offers a range of services for FCE students including:

- Academic skills workshops run throughout the session;
- Printed and on-line study skills resources e.g. referencing guide, report writing and exam preparation;
- A drop-in resource centre containing books and audio visual material that can be borrowed;
- A limited consultation service for students with individual or small group learning needs.

More information about the EDU services including on-line resources, workshop details and consultation request forms are available from the EDU website.
Contacts and location:
EDU Web:  http://education.fce.unsw.edu.au
EDU Location:  Room 2039, Level 2 Quadrangle Building

EDU services are free and confidential and are available to students of the Faculty of Commerce and Economics.

Other UNSW support

In addition to the EDU services, the UNSW Learning Centre provides academic support services for students. The Learning Centre is located on Level 2 of the Library and can be contacted by Phone: 9385 3890 or through their website: http://www.lc.unsw.edu.au/. Students experiencing problems of an academic or personal nature are encouraged to contact the Counselling Service at UNSW. This service is free and confidential and run by professional counsellors. The Counselling Service is located on Level 2, Quadrangle East Wing, and can be contact on 9385 5418.

SPECIAL CONSIDERATION – ILLNESS AND MISADVENTURE

The following is an extract from the UNSW Student Guide. The emphasis is added by the subject lecturers

“On some occasions sickness, misadventure, or other circumstance beyond your control may prevent you from completing a course requirement or attending or submitting assessable work for a course. Such assessable requirements may include formal end of session examination, class test, laboratory test, seminar presentation, etc. It is also possible that such situations may significantly affect your performance in an assessable task. The University has procedures that allow you to apply for consideration for the affected assessments. Depending on the circumstances, the University may take action to allow you to overcome the disadvantage; eg. give you additional assessment or extend a deadline.

You should note that merely submitting a request for Consideration does not automatically mean that you will be granted additional assessment, nor that you will be awarded an amended result. For example, if you have a poor record of attendance or performance throughout a session/year in a course you may be failed regardless of illness or other reason affecting a final examination in that course.

How to apply for Consideration

You must make formal application for Consideration for the course/s affected as soon as practicable after the problem occurs and within three working days of the assessment to which it refers. The application must be made on the 'Request for Consideration' form available from NewSouth Q, program and course offices. The completed application form must be submitted to NewSouth Q. Applications are accepted only in the following circumstances:
1. Where academic work has been hampered to a substantial degree by illness or other cause. Except in unusual circumstances a problem involving only three consecutive days or a total of five days within the teaching period of a semester is considered sufficient grounds for an application.
2. The circumstances have to be unexpected and beyond your control. Students are expected to give priority to their University study commitments and any absence must clearly be for circumstances beyond your control. Work commitments are not normally considered a justification.
3. An absence from an examination should be supported by a medical certificate or other document that clearly indicates you were unable to be present.
4. A student absent from an examination or who attends an examination and wants to request special consideration is normally required to provide a medical certificate dated the same day as the examination.
5. An application for special consideration has to be provided within three working days of the assessment to which it refers. In exceptional circumstances an application may be accepted outside the three-day limit.

What happens after you make the application

If your application meets the University's criteria for acceptance, it is stamped, a copy is taken and the original is returned to you. Only documentation that meets the requirements listed above will be accepted. No consideration will be given when the condition or event is not related to performance or is considered not to be serious. Details, including the summary information provided by you, are made available to the relevant course authority/Faculty. The University's procedures ensure that confidentiality of this information is maintained.

Note that many course authorities require you to take action within a specified period of time to determine the outcome; for example to consult the course authority's notice board, to contact the authority in person or by phone, etc. Details of the arrangements will have been made available to you in the course information sheet. Failure to take this action will normally result in forfeiture of any additional assessment granted to you. For ACCT 5901, you are required to advise Elizabeth Carson within two working days of the relevant assessment task that you have submitted an application for consideration. You are also required to provide a copy of your application for consideration to Elizabeth Carson within three days of the relevant assessment task.

On the basis of the information provided in your application, a decision is made regarding the appropriate response in your particular case. The following may be taken into account:
1. The student's performance in other items of assessment in the course.
2. The severity of the event.
3. Academic standing in other courses and in the program.
4. History of previous applications for special consideration.

What outcomes you can expect

If an application for illness or misadventure is accepted, the following action may ensue:
1. No action.
2. Additional assessment or a supplementary examination. Additional assessment may take a different form from the original assessment. If you are granted additional assessment, the original assessment may be ignored at the discretion of the course authority. Consequently, a revised mark based on additional assessment may be greater or less than the original mark.
3. Marks obtained for completed assessment tasks may be aggregated or averaged to achieve a percentage.
4. The deadline for assessment may be extended.
5. Discontinuation from the course. This is unlikely to occur after an examination or final assessment has taken place.”

For further information, refer to UNSW Student Guide.

SUBJECT INTERNET SITE

The subject Internet site may be found at:

http://www.webct.unsw.edu.au

Access to the website is restricted to those students enrolled in the subject.

SUBJECT LECTURERS

David Silipo QUAD 3113 Phone 9385 5811
Email: d.silipo@unsw.edu.au

Consultation hours Monday 12 – 1 pm
Wednesday 5 - 6pm

Stephanie McHugh QUAD 3113 Phone: 9385 5811
Email: stephmchugh@unsw.edu.au

Consultation hours To be advised

TEXTBOOK


This book can be purchased from the UNSW bookshop in the Quadrangle Building, together with the readings package for this course. The package includes the assignment materials, weekly reading guides, copies of course overheads and past examinations including full worked solutions.
COURSE SUMMARY

Seminar 1  Week Commencing Monday 1 March 2004
Introduction to ACCT 5901

Seminar 2  Week Commencing Monday 8 March 2004
Topic 1: Introduction to Financial Accounting

Seminar 3  Week Commencing Monday 15 March 2004
Topic 2: Balance Sheet 1

Seminar 4  Week Commencing Monday 22 March 2004
Topic 3: Profit & Loss 1

Seminar 5  Week Commencing Monday 29 March 2004
5% quiz / Topic 4: Profit & Loss2

Seminar 6  Week Commencing Monday 5 April 2004
Topic 5 - Balance Sheet 2 – Assets

Seminar 7  Week Commencing Monday 19 April 2004
Topic 6 – Balance Sheet 3 – Liabilities & Equity
MIDSESSION EXAM – 6.15pm Wednesday 28 April 2004

Seminar 8  Week Commencing Monday 3 May 2004
Topic 7 – Financial Statement Analysis

Seminar 9  Week Commencing Monday 10 May 2004
Topic 8 – Statement of Cash Flows & Audit Opinions

Seminar 10  Week Commencing Monday 17 May 2004
No Teaching / Group Assignment Preparation

Seminar 11  Week Commencing Monday 24 2004
Group Assignment Due / Topic 9 – Introduction to Management Account

Seminar 12  Week Commencing Monday 31 May 2004
Topic 10 – Managing Profitability

Seminar 13  Week Commencing Monday 7 June 2004
Topic 11 – Balanced Scorecard / Final Examination Revision
Seminar 1  Introduction to ACCT 5901  
Week Commencing Monday 1 March 2004

30 mins  Introductions

30 mins  Course Overview

15 mins  Coffee Break

45 mins  One.Tel Video and Exercise

Preparation for Next Week

(i)  Review Course Outline, diarise key dates
(ii) Ensure you can log on to ACCT 5901 WebCT site
(iii) Purchase textbook and course package from UNSW Bookshop
(iv) Preview Reading Guide for Topic 1
(v)  Read Section 1.1 to 1.9 (pages 1 to 24), Section 9.8 (pages 413 to 417) and Section 10.7 (pages 466 to 467) from text book
Seminar 2  Topic 1: Introduction to Financial Accounting  
Week Commencing Monday 8 March 2004

90 mins  
Topic 1 – Introduction to Financial Accounting  
LECTURE and ILLUSTRATIONS including One.Tel Video Part 2

15 mins  
Coffee Break

30 min  
Group Question Preparation  
Problem 1.6, Problem 1.10

15 mins  
Group Presentations

Preparation for Next Week

(i)  Review Reading Guide from Topic 1
(ii) Read Section 1.1 to 1.9 (pages 1 to 24), Section 9.8 (pages 413 to 417) and Section 10.7 (pages 466 to 467) from text book
(iii) Review answers to Group Questions (Download from WebCT)
(iv) Complete Review Questions from Topic 1  
• Woolworth’s Limited Case 1A (page 36)  
• Problem 1.2 (Solution at back of textbook)  
• Problem 1.3 (Solution at back of textbook)  
• Problem 1.4 (Solution at back of textbook)  
• Problem 1.12  
• Problem 1.14  
• Problem 1.18  
• Problem 1.26  
• Problem 1.28
(v)  Preview Reading Guide for Topic 2 – Balance Sheet (I)  
(vi) Preview Section 2.1 to 2.7 (page 42 – 63) and Section 3.2 to 3.3 (page 96 – 98) from text book
Seminar 3 – Topic 2: Balance Sheet 2  
Week Commencing Monday 15 March 2004

30 mins  Review of Topic 1 lecture material and review questions

75 mins  Topic 2 – Balance Sheet (1) LECTURE and ILLUSTRATIONS including One.Tel Video Part 3

15 mins  Coffee Break

30 mins  Group Question Preparation  
Problem 2.18 (page 86), Problem 2.19 (page 87)

30 mins  Group Presentations

Preparation for Next Week

i)  Review answers to Group Questions (Download from WebCT)

ii)  Complete review questions from Topic 2  
• Woolworth’s Limited Case 2A (page 92)  
• Problem 2.1 (solution at back of textbook)  
• Problem 2.8 (primarily for your own interest)  
• Problem 2.9 (use Woolworths)  
• Problem 2.10  
• Problem 2.11

iii)  Preview Reading Guide for Topic 3 – Profit and Loss (1)

iv)  Preview Section 2.8 to 2.11 (pages 63 – 75), Section 3.4 (pages 98 – 102), Section 8.3 to 8.5 (page 357 – 367) from textbook
Seminar 4 – Topic 3: Profit and Loss 1  
Week Commencing Monday 22 March 2004

30 min  
Review of Topic 2 lecture material and review questions

75 mins  
Topic 3 – Profit and Loss (1) LECTURE and ILLUSTRATIONS

15 mins  
Coffee Break

30 mins  
Group Question Preparation  
*Problem 2.13, Problem 3.12*

30 mins  
Group Presentations

Preparation for Next Week

i)  Review answers to Group Questions (Download from WebCT)

ii)  Complete review questions from Topic 3  
• Woolworths Case 3A (page 142) (questions 1 to 9)  
• Problem 3.2 (answers at back of textbook)  
• Problem 3.6  
• Problem 3.13 (parts 1 and 2 only)  
• Problem 3.18  
• Case 3B (choose a company you are interested in, your employer? your bank? Woolworths?)  
• Problem 8.13 (NOT part 1b)  
• Problem 8.15

iii)  **Prepare for 5% Quiz (to be based on primarily on Topics 1, 2 and 3 as covered in class this week)**

iv)  Preview Reading Guide for Topic 4 – Profit & Loss 2

v)  Preview 4.1 – 4.2 (pages 147 – 150), 5.1 to 5.2 (pages 198 – 200), 5.4 to 5.5 (pages 216 – 221), 5.10 (pages 234 – 237) from text book
Seminar 5 – Topic 4: Profit and Loss 2
Week Commencing Monday 29 March 2004

40 mins  QUIZ (5%)

20 mins  Review of Topic 3 lecture material and review questions

15 mins  Coffee Break

45 mins  Topic 4 – Profit and Loss (2) LECTURE and ILLUSTRATIONS
          including One.Tel Video Part 4

40 mins  Group Question Preparation
          Problem 4.11(Use the data in the question to prepare a transaction
          analysis style worksheet and a Statement of Financial Performance and
          a Statement of Financial Position)

20 mins  Group Presentations

Preparation for Next Week

i)  Review answers to Group Questions (Download from WebCT)

ii)  Complete review questions from Topic 4
     • Woolworths Case 4A (for part 3, use transaction analysis)
     • Problem 5.2 (answer at back of book)
     • Problem 5.3 (answer at back of book)
     • Problem 5.8
     • Problem 5.10
     • Problem 5.16 (transaction analysis rather than journal entries)
     • Problem 5.26 (NB: exam style question)
     • Problem 5.28 (NB: exam style question)

iii) Preview Reading Guide for Topic 5 – Balance Sheet (2) – Assets

iv)  Preview Section 5.6 - 5.8 (page 221-229), Section 7.1- 7.2 (pages 325 – 327), Section
     7.4 - 7.7 (page 331 – 340), Section 8.1 - 8.2 (pages 355 – 357) and Section 8.7 - 8.8
     (page 368 – 374) in text book
Seminar 6 – Topic 5: Balance Sheet 2 - Assets  
Week Commencing Monday 5 April 2004

30 mins  Review of Topic 4 lecture material and review questions

75 mins  Topic 5 – Balance Sheet (2) LECTURE and ILLUSTRATIONS

15 mins  Coffee Break

30 mins  Group Question Preparation  
*Case 7B, Case 8B*

30 mins  Group Presentations

**Preparation for Next Week**

i)  Review answers to Group Questions (Download from WebCT)

ii)  Complete Homework Questions from Topic 5  
   * Woolworths Case 7A (page 351)  
   * Problem 5.29  
   * Problem 7.2 (Answer at the back of the book)  
   * Problem 7.4  
   * Problem 7.5  
   * Problem 8.4  
   * Problem 8.8  
   * Woolworths Case 8A (Parts 1-10 only)

iii)  Preview Reading Guide for Topic 6 – Balance Sheet (3)

iv)  Preview Section 10.2 (pages 443 – 444, 447 – 449) and Section 10.3 – 10.12 (pages 452 – 460 {ignore Exhibit 10.2}, pages 463 – 467 {ignore journal entries}, pages 470 – 475 {ignore journal entries})

The midsession break is the week commencing Monday 12 April 2004
Seminar 7 – Topic 6: Balance Sheet 3 – Liabilities and Equity  
Week Commencing Monday 19 April 2004

30 mins  Review of Topic 5 lecture material and review questions

75 mins  Topic 6 – Balance Sheet (3) LECTURE and ILLUSTRATIONS

15 mins  Coffee Break

30 mins  Group Question Preparation  
Case 10B, Case 10C

30 mins  Group Presentations

Preparation for Next Week

i)  Review answers to Group Questions (Download from WebCT)

ii)  Complete Homework Questions from Topic 6
- Problem 10.11 (use transaction analysis)
- Problem 10.14
- Problem 10.18
- Problem 10.27

iii)  Prepare for midsession examination
Date, time, location, duration – Wednesday 28 April 2004, 6.15pm – 7.30pm, Venue to be advised
Importance - Represents 20 % of your final mark
Contents – Covers all topics up to and including Balance Sheet 3 (Topic 6). Contains theory, transaction analysis and calculations. Know definitions and how to apply them
Word Limits – If a question has word or sentence limits, please adhere to them Eg 25 words means 15 – 35 words NOT 250 words!
Bring Calculator

Preparation for Next Class in week commencing Monday 3 May 2004

i)  Preview Reading Guide for Topic 7 – Financial Statement Analysis
ii)  Preview Section 14.1 to 14.8 (pages 616 – 637) in text book
**Seminar 8 – Topic 7: Financial Statement Analysis**  
**Week Commencing Monday 3 May 2004**

30 mins  
Review of Topic 6 lecture material and review questions

75 mins  
Topic 7 – Financial Statement Analysis LECTURE and ILLUSTRATIONS

15 mins  
Coffee Break

30 mins  
Group Question Preparation

*Problem 14.7, Problem 14.11*

30 mins  
Group Presentations

**Preparation for Next Class (Week Commencing Monday 10 May 2004)**

i)  
Review answers to Group Questions (Download from WebCT)

ii)  
Complete Homework question from Topic 7

- Problem 14.5
- Problem 14.8
- Problem 14.15
- Problem 14.23

iii)  
Preview Reading Guide for Topic 8 – Statement of Cash Flows and Audit Opinions

iv)  
Preview Section 12.1 to 12.3 (pages 533 – 539), Section 12.5 (pages 548 – 550), Section 12.7 to 12.8 (pages 554 – 556) and Section 9.5 (pages 407 – 410) in text book
Seminar 9 – Topic 8: Statement of Cash Flows/ Audit Opinions
Week Commencing Monday 10 May 2004

30 mins Review of Topic 7 lecture material and review questions

75 mins Topic 8 – Statement of Cash Flows and Audit Opinions LECTURE and ILLUSTRATIONS includes One.Tel Video Part 5

15 mins Coffee Break

30 mins Group Question Preparation
   Problem 12.4, Problem 12.22 (page 577)

30 mins Group Presentations

Preparation for Next Class (week commencing Monday 24 May 2004)

i) Review answers to Group Questions (Download from WebCT)
ii) The assignment is due in class time next week (week commencing 24 May 2004)
iii) Complete Homework questions from Topic 8
    • Problem 12.7
    • Problem 12.8
    • Woolworths Case 12A (page 579)
    • Additional questions relating to Audit Opinions attached
iv) Preview Reading Guide for Topic 9 – Introduction to Management Accounting

There are no classes set for the week commencing Monday 17 May 2004. You should be using this time to work with your assignment group. The group assignment is due in your usual class time in the week commencing 24 May 2004.
Topic 8 Additional Questions (Audit Opinions)

The audit opinions of some listed companies are attached to the topic reading guide. Read them and answer the following questions:

1. What are the similarities between these audit reports (wording, presentation, etc)?

2. What are the differences between these audit reports?

3. Who is responsible for preparing the financial statements?

4. What do the auditors do?

5. What do you think a ‘clean’ audit opinion might be? Which of the companies whose audit opinions are attached received a clean opinion?

6. If you were performing financial statement analysis and calculating ratios based on the audited financial statements, is the audit opinion worthy of consideration? How much can you rely on audited accounts if the auditor’s opinion is qualified?
Seminar 11 – Topic 9: Introduction to Management Accounting
Week Commencing Monday 24 May 2004

30 mins  Collection of Assignments
Review of Topic 8 lecture material and review questions

75 mins  Topic 9 – Introduction to Management Accounting LECTURE and ILLUSTRATIONS

15 mins  Coffee Break

30 mins  Group Question Preparation
As attached

30 mins  Group Presentations

Preparation for Next Week

i) Review answers to Group Questions (Download from WebCT)
ii) Complete Homework questions from Topic 9
iii) Preview Reading Guide for Topic 10 – Managing Profitability
Group Questions – Topic 9

Question 1 – Shareholder Value versus Customer Value

Successful managers need to consider both customer value and shareholder value. Why? In what way do these two objectives conflict? Illustrate your answer by using an example.

Question 2 – Customer Value

Consider a recent purchase you have made. Describe it in terms of its service, quality and price.

Question 3 – Service v Quality

Which has the most effect on the price that a customer pays for a product – the Service or the Quality?

Question 4 – Value Chain Analysis (Part 1)

Consider each element of the value chain of a manufacturing organization, as illustrated below. What type of information do you believe would help managers manage each of the departments represented by elements in the value chain (i.e. how can management accounting information add value to the value chain)?

Identify the key differences between financial accounting and management accounting.
Homework Questions – Topic 9

Question 1 – Planning Decisions

What type of planning decisions do you believe managers may need to make when running an organisation? For each type of decision identified, what type of information (management accounting information) do you believe would help the manager make that decision?

Question 2 – Controlling Decisions

What type of controlling decisions do you believe managers may need to make when running an organisation? For each type of decision identified, what type of information (management accounting information) do you believe would help the manager make that decision?

Question 3 - Value Chain Analysis

Managers are concerned about the value chain taken as a whole and also in each activity. In other words, they need to control the total cost of the entire chain as well as the cost of each individual activity within the chain. Using the value chain shown above in Question 6, explain how increased activity (and therefore expense) in one element of the chain can add customer value without necessarily adding to the total cost of the entire value chain.

Question 4 – Service Organisation Value Chain

How does a value chain for a service organisation differ from the value chain of a manufacturer? Design a value chain similar to that shown in Question 6 above for a service organisation.

Question 5 – Value vs Non Value Added Activities

Consider an organisation with which you are familiar (i.e. your workplace or a business of which you have recently been a customer). Identify a non-value added activity and consider the effect on customer value if that activity was eliminated.

Question 6 – Characteristics of Management Accounting Information

Identify the characteristics of a good management accounting information system. For each characteristic, explain why it is important.
Seminar 12 – Topic 10: Managing Profitability  
Week Commencing Monday 31 May 2004

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<th>Time</th>
<th>Activity</th>
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<tr>
<td>30 mins</td>
<td>Review of Topic 9 lecture material and review questions</td>
</tr>
<tr>
<td>75 mins</td>
<td>Topic 10 – Managing Profitability LECTURE and ILLUSTRATIONS</td>
</tr>
<tr>
<td>15 mins</td>
<td>Coffee Break</td>
</tr>
<tr>
<td>30 mins</td>
<td>Group Question Preparation</td>
</tr>
<tr>
<td></td>
<td><em>As attached</em></td>
</tr>
<tr>
<td>30 mins</td>
<td>Group Presentations</td>
</tr>
</tbody>
</table>

**Preparation for Next Week**

1. Review answers to Group Questions (Download from WebCT)
2. Complete Homework questions from Topic 10
Group Questions – Topic 10

Question 1 – Cost Behaviour Graphs

Draw a graph of the cost behaviour for each of the following costs incurred by the Northern Sydney Medical Centre. The hospital measures costs on a monthly basis and uses patient-days as the cost driver. Label both axes and the cost line in each graph.

1. The cost of salaries and on-costs for the administrative staff total $12,000 per month.
2. The cost of food varies in proportion to the number of patient days provided. In January, the hospital provided 3000 patient days and food costs amounted to $24,000.
3. The hospital’s laboratory costs include two components: $40,000 per month for salaries of personnel and depreciation on equipment and $10 per patient day for chemicals and other materials used in performing the tests
4. The cost of utilities depends on how many wards the hospital needs during a particular month. During months with less than 2000 patient days of care, two wards are used, resulting in utility costs of $10,000. During months with greater than 2000 patient days of care, three wards are used and utility costs total $15,000.
5. Many of the hospital’s nurses are part time employees. As a result, the costs of nursing care provided can be easily adjusted to the amount required at any particular time. The cost of wages and on-costs for nurses is approximately $2,500 for each block of 200 patient days of care provided during a month. For example, nursing costs total $2,500 for 1 to 200 patient days, $5,000 for 201 to 400 patient days, etc.

From Langfield-Smith, Thorne and Hilton (1998)

Question 2– Break Even Point

In a strategy meeting, the manufacturing director said: “If we raise the price of our product, the company’s break even point will be lower”. The financial director responded by saying, “Then we should raise our price. The company will be less likely to incur a loss”. Do you agree with the manufacturing director? Give reasons. Do you agree with the financial director? Give reasons.

Question 3 - Break Even Point calculations

Air Safety Systems Ltd manufactures a component used in aircraft radar systems. The firm’s fixed costs are $4,000,000 per year. The variable cost of each component is $2,000, and the components are sold for $3,000 each. The company sold 5,000 components during the previous year. (In the following requirements, ignore the effect of income taxes).

Treat requirements 1 to 4 as independent situations
1. Calculate the breakeven point in units
2. What will the new breakeven point be if fixed costs increase by 10%?
3. What was the company’s profit for the previous year?
4. The sales manager believes that a reduction in sales price to $2,500 will result in orders for 1,200 more components each year. What will the breakeven point be if the price is changed?
5. Should the price change be made?
Question 4 – Break Even point with Sales Mix

Tim’s Bicycle Shop sells two types of bicycles. For the purposes of cost volume profit analysis, the shop owner has divided sales into two categories as follows:

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Sales Price</th>
<th>Invoice Cost</th>
<th>Sales Commission</th>
</tr>
</thead>
<tbody>
<tr>
<td>Racing Bikes</td>
<td>$500</td>
<td>$275</td>
<td>$25</td>
</tr>
<tr>
<td>BMX</td>
<td>$300</td>
<td>$135</td>
<td>$15</td>
</tr>
</tbody>
</table>

Three-quarters of the shop’s sales are BMX bikes. The shop’s annual fixed expenses are $65,000. In the following requirements, ignore income taxes.

1. Calculate the unit contribution margin for each product type.
2. What is the shop’s sales mix?
3. Calculate the weighted average contribution margin assuming a constant sales mix.
4. What is the shop’s breakeven sales volume in dollars? Assume a constant sales mix.
5. How many bicycles of each type must be sold to earn a target profit of $48,750? Assume a constant sales mix.

Question 5 – Advanced Break Even – Scarce Resources

Lisa’s Leather Shop manufactures and sells three different types of products – leather handbags, leather travel bags and leather purses. Information relating to the production and sale of each product is shown below.

<table>
<thead>
<tr>
<th></th>
<th>Handbags</th>
<th>Travel Bags</th>
<th>Purse</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Price per unit</td>
<td>$25</td>
<td>$60</td>
<td>$12</td>
</tr>
<tr>
<td>Variable Costs per unit</td>
<td>$15</td>
<td>$40</td>
<td>$4</td>
</tr>
<tr>
<td>Amount of leather used per unit (metres)</td>
<td>1</td>
<td>2.5</td>
<td>0.5</td>
</tr>
</tbody>
</table>

Lisa is only able to obtain 300 metres of leather per month. She has estimated that a maximum of 250 purses, 100 handbags and 50 travel bags can be sold in any 1 month, based on past demand from her customers.

Lisa wants advice on what product(s) she should focus on to maximise profit. Using contribution analysis, determine the optimum sales mix.
Question 6 – Gross Margin vs Contribution Margin

Consider the following profit and loss statements.

<table>
<thead>
<tr>
<th>Profit &amp; Loss Statement</th>
<th>Profit &amp; Loss Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Accounting</strong></td>
<td><strong>Break Even Analysis</strong></td>
</tr>
<tr>
<td>Sales Revenue</td>
<td>Sales Revenue</td>
</tr>
<tr>
<td>Cost Of Goods Sold</td>
<td>Variable Costs</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Profit</td>
<td>Contribution Margin</td>
</tr>
<tr>
<td>Less Operating Expenses</td>
<td>Less Fixed Costs</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Profit</td>
<td>Net Profit</td>
</tr>
</tbody>
</table>

1. Identify examples of items which would form part of Cost of Goods Sold and part of Variable Costs

2. Identify examples of items which would form part of Cost of Goods Sold that would not form part of Variable Costs

3. Identify examples of items that would form part of Variable Costs that would not form part of Cost of Goods Sold

4. Identify examples of items that would form part of Operating Expenses and part of Fixed Costs

5. Identify examples of items that would form part of Operating Expenses that would not form part of Fixed Costs

6. Identify examples of items that would form part of Fixed Costs that would not form part of Operating Expenses
Homework Questions – Topic 10

Question 1 – Contribution Margin

What is the meaning of the term unit contribution margin? Contribution to what?

Question 2 – Relevant Range

Identify a typical expense incurred in business. Explain how that expense might be considered a variable expense. Explain how, and in what circumstances, it might be considered a fixed expense (e.g. depreciation)

Question 3 – CVP Graph

What information is conveyed by a cost volume profit graph in addition to a company’s break-even point?

Question 4 – Advanced Break Even Calculation

GameCo Ltd manufactures pocket electronic games. In 19x3, GameCo sold 25,000 games at $25 each. Total costs amounted to $525,000, of which $150,000 was considered fixed.

In an attempt to improve its product, in 19x4 the company is considering replacing a component part that has a cost of $2.50 with a new and better part costing $4.50 per unit. It is estimated that all other variable costs will be at the same cost per unit in 19x4. The only increase in fixed costs, over the preceding year, would be caused by the installation of a new machine to increase plant capacity. The new machine would cost $18,000 with a useful life of 6 years and no salvage value. The company uses straight-line depreciation on all plant assets. (Ignore income taxes).

1. What was GameCo Ltd’s breakeven point in number of units in 19x3?
2. How many units of product would the company have had to sell in 19x3 to earn $140,000 profit?
3. If GameCo Ltd holds the sales price constant and makes the suggested changes, how many units of the product must be sold in 19x4 to break even?
4. If the firm holds the sales price constant and makes the suggested changes, how many units of product will the company have to sell in 19x4, to make the same profit as it did in 19x3? (NB: Ignore your answer to part 2 of this question, refer back to the data in the original question)
5. If GameCo wishes to maintain the same contribution margin ratio in 19x4 as it had in 19x3, what selling price per unit of product must it change to cover the increased direct material cost?
<table>
<thead>
<tr>
<th>Time</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 mins</td>
<td>Review of Topic 10 lecture material and review questions</td>
</tr>
<tr>
<td>75 mins</td>
<td>Topic 11 – The Balanced Scorecard LECTURE and ILLUSTRATIONS</td>
</tr>
<tr>
<td>15 mins</td>
<td>Coffee Break</td>
</tr>
</tbody>
</table>
| 30 mins | Group Question Preparation  
*As attached* |
| 30 mins | Group Presentations |

**Preparation**

(i) Preparation for Final Examination
Topic 11 Group Questions

Question 1 – Financial Performance Measures

Identify the arguments for and against financial measures of performance.

Question 2 – Financial Performance Measures Example

Between 1987 and 1990, a NYSE electronics company made order of magnitude improvement in quality and on-time performance. During the same 3-year period, the company’s financial results showed little improvement, and its stock price plummeted. What potential explanations can you provide for this apparent paradox?

Question 3 – Inadequacies of Financial Performance Measures

What changes in the current business environment suggest that traditional performance measurement may not be adequate?

Question 4 – Balanced Scorecard

What do you understand by the concept “Balanced Scorecard”? What are the design parameters of the Balanced Scorecard? What are the perceived advantages and limitations of the “Balanced Scorecard”?

Question 5 – Management Accounting Information

In topic 9 we identified some of the features of a ‘good’ measurement system. What features can you add from this topic’s readings?

Question 6. - Role of Management Accountants

What role does the management accountant play in the balanced scorecard?

Question 7 – Risks Management

What does the term risk management mean?

Question 8 – Risk Management Identification

Consider a computer manufacturer. What major risks does this business face? Classify these risks in terms of financial risks, customer & process risks and learning and growth risks.

Question 9 – Risk Management Strategy

For each risk identified in Question 8 above, explain a strategy or action that management could take to minimise the effect of this risk.

Question 10 – Balanced Scorecard and Risk Management

How can the balanced scorecard assist in a risk management analysis? How can a risk management analysis assist in conducting a balanced scorecard?