

THE UNIVERSITY OF NEW SOUTH WALES



School of Accounting

*ACCT5942 CORPORATE ACCOUNTING AND
REGULATION – MProfAcc*

*ACCT5970 ACCOUNTING CONCEPTS AND
FINANCIAL REPORTING – MCom (ProfAcc)*

FIRST SESSION, 2005

INTRODUCTION

This course deals with the practical and conceptual issues in external financial reporting. In particular, we examine the usefulness and limitations of the published financial reports of listed corporate entities. It is a compulsory course in the Professional Accounting Program but it is a valuable course for any commerce students who will be involved in the preparation or use of corporate financial statements whether as accountants, financial executives, taxation officers, auditors, financial analysts or legal advisors.

ACCT5942/ACCT5970 builds on the foundation laid in ACCT5930 Financial Accounting. It deals with important topics in intermediate and advanced financial accounting including the issues raised by more complicated transactions and events (such as those involving leases and foreign currency), industry-specific accounting matters, and the consolidation accounting required for corporate groups linked by unilateral control, joint control or significant influence.

COURSE OBJECTIVES

The primary objectives of the course are to provide students with:

- (a) knowledge of and experience in applying the main provisions in Australian and corresponding international financial reporting standards;
- (b) an appreciation of the conceptual strengths or weaknesses of the required accounting methods and the determinants of the choices made by directors and managers, in those circumstances where some flexibility is allowed in the application of accounting methods;
- (c) an understanding of the definitional problems, methods of report preparation and limitations of reported financial data in respect of complex transactions, events and organisational structures; and
- (d) a capacity to critically evaluate controversial issues in financial reporting and contribute to debates on how to improve reporting standards.

STAFF

<i>Staff</i>	<i>Phone</i>	<i>Email</i>	<i>Room</i>
Assoc. Prof. Malcolm Miller (Lecturer-in-Charge)	9385 5820	m.miller@unsw.edu.au	QUAD3082
Dr Andrew Ferguson	9385 6443	a.ferguson@unsw.edu.au	QUAD3090

Both staff members have the same fax number: (02) 9385 5925. For each staff member a short professional biography is supplied at the end of this subject outline.

TEXTS

1. Deegan, C., *Australian Financial Accounting*, 4th ed., McGraw-Hill Irwin, 2005 (Abbreviated "Deegan").
2. Eddey, P., N. Arthur and J. Knapp, *Accounting for Corporate Combinations and Associations*, 5th ed., Prentice Hall, 2001 (Abbreviated "Eddey"). Note that we do not use Eddey until Week 8 of session. But then we use the book very intensely.

USEFUL WEB SITES

1. www.aasb.com.au (Australian Accounting Standards Board – all the AASB's current pronouncements can be downloaded from this site along with pending standards based on IASB standards and Exposure Drafts of proposed standards and other documents)
2. www.mhhe.com/au/deegan4e (provides students with some study resources for the Deegan text)
3. www.iasb.org.uk (International Accounting Standards Board – summaries of the IASB standards can be downloaded from this site)
4. www.iasplus.com (IAS Plus is a site providing news and commentary on international accounting standards – service of Deloitte Touche Tohmatsu)
5. www.deloitte.com.au (provides model financial statements for Australian companies, etc.)
6. www.icaa.org.au (Institute of Chartered Accountants in Australia). You can email ca_technica@icaa.org.au to be put on the distribution list for a weekly email of ANT (Accounting & Auditing News Today).
7. www.cpaaustralia.com.au (CPA Australia)
8. www.asx.com.au (Australian Stock Exchange)
9. www.asic.gov.au (Australian Securities and Investments Commission)
10. www.fasb.org (Financial Accounting Standards Board – US)
11. www.sec.gov (Securities and Exchange Commission – US)
12. Australian corporate annual reports are available from Connect 4 and Datanalysis databases on the UNSW library web site (www.library.unsw.edu.au), and also from www.EquitiesInfo.com.au.
13. www.ey.com/au
14. www.kpmg.com.au
15. www.pwcglobal.com/au

REFERENCE BOOKS

1. Alfredson, K., K. Leo, R. Picker, P. Packer and J. Radford, *Applying International Accounting Standards*, Wiley, 2005.
2. Henderson, S. and G. Peirson, *Issues in Financial Accounting*, 11th ed., Longman, 2004.
3. Leo, K., J. Hoggett, J. Sweeting and J. Radford, *Company Accounting*, 6th ed., Wiley, 2005.
4. McBride, P. and N. Carroll, eds., *Accounting Handbook 2005*, Prentice Hall, 2005.
5. Whittred, G., I. Zimmer, S. Taylor and P. Wells, *Financial Accounting: Incentive Effects and Economic Consequences*, 6th ed., Harcourt, 2004.

CLASSES

The course consists of weekly three-hour classes. In most classes, the format will be approximately as follows:

- First half - Lecture, discussion and activities on new topics for week
- Second half - Tutorial to review assignments and other materials on topics introduced in previous week

Endeavour to learn as much as possible in the class time. Try to stay up-to-date and do not hesitate to ask questions if you do not understand.

In weeks 2 to 6 it is essential to bring your copy of Deegan to class. In weeks 8 to 14 you must have your copy of Eddey available for reference during class.

WORKLOAD EXPECTATIONS

It is expected that you will spend at least 10 hours per week studying this course. This time should be made up of 3 hours in class and 7 hours reading, downloading materials, working on exercises and problems, and revising your work. In certain weeks (especially where you need to prepare for an examination) the workload may be greater.

Over-commitment has been a cause of failure for many students. You should take the required workload into account when planning how to balance study with employment and other activities.

ASSESSMENT (including SELF-ASSESSMENT)

Subject to a satisfactory result in the final examination, the weighting of the final (composite) mark will be as follows:

Mid-session test (2 hours)	40
Final examination (3 hours)	60
Bonus marks for active class participation	<u>5</u>
	<u>105*</u>

*Subject to a cap of 100. For example, if your accumulated mark for the two exams is 66 and your bonus mark is 3, your final grade would be 69. If your accumulated mark for the two exams is 97 and your bonus mark is 5, your final grade would be capped at 100. Students rarely obtain a mark greater than 95 for the exams (although a student recently obtained 94). Bonus marks are only awarded when you ask useful questions at the right time or make helpful observations on lecture points and assignment solutions (thereby assisting and stimulating your fellow students). Do not feel inhibited about asking questions; just realize that the worth of particular questions or comments may vary.

You do not need to pass every component of the assessment. To be eligible for a passing grade in this subject, you must obtain 50 marks overall and obtain at least 24 marks for the final examination. Failure to perform in the final examination may result in either a supplementary examination being required or the award of an Unsatisfactory Fail (UF) grade.

In addition to the formal assessment scheme, there is provision for continuous self-assessment. A significant resource provided with the Deegan text is MaxMark, which provides approximately 30 multiple choice questions per chapter, covering all the key concepts. Take advantage of this online self-assessment tool. Also, in certain classes there will be quick (self-marked) quiz sessions to provide feedback on whether lectures and assignments have been understood.

Students put themselves at a significant disadvantage when they do not stay up-to-date and make the most of lecture and tutorial time. As mentioned above, in addition to the three hours of class time, most students need to study effectively for another 7 hours at a minimum. The assessment scheme attempts to motivate you to stay abreast of the work week-by-week and contribute to class discussion. You could easily fail if you try to depend on intensive cramming just before the mid-session and final examinations.

The scope of the mid-session test will be the first five lectures (Weeks 1 to 5) and the first five tutorials (Weeks 2 to 6). The test in Week 7 will be held during prescribed Lecture / Tutorial times. The purpose of the mid-session test is to gauge student's knowledge midway through the course and provide feedback to students on their progress to that point. Students who fail the test may still have time to recover and pass the course. No student will be given a supplementary for the mid-session test unless they pass the final examination. More information on the mid-session test will be provided later.

The scope of the final exam will be the lectures in Weeks 6, and 8 to 14 and the tutorials in Weeks 8 to 14. It will be held in the official UNSW examinations period from 17 June to 5 July 2005. More information on the final exam will be provided later.

SUPPLEMENTARY FINAL EXAMINATION

If you are prevented from taking the final examination or are placed at a serious disadvantage during the examination, you should apply for special consideration within 7 days of the examination. All applications for special consideration should be made through the Registrar and Deputy Principal's Office. Forms and details of required documentation are available from the University Student Centre in the Chancellery. Lodging an application for special consideration does not guarantee that you will be given the opportunity to sit the supplementary.

The supplementary examination in this course will be given in the week beginning Monday, 18 July (specific details to be advised). This is the week before Session 2 commences. Students given the opportunity to sit the supplementary must be available during this period to take the examination. No other opportunities to sit the supplementary will be given.

Note that it is university policy to advise the granting of supplementary exams via your *student email address (zstudentnumber@student.unsw.edu.au)*. No other notification will be given. So it is very important to check that email address if it is possible that you will be given the opportunity to sit a supplementary. Any other email address you may have, such as Hotmail, Ozemail, Optusnet, or Yahoo, will *not* be used for these notifications. Notification by letter in the post will *not* occur. Normally, an email about the supplementary is sent before you can access your official results for the session.

ARE YOU ADEQUATELY PREPARED FOR ACCT5970?

Since ACCT5930 Financial Accounting is a prerequisite for this course, it is assumed that students know the basic double-entry recording system with its use of debits and credits. If you need to brush up your knowledge in this area, you could refer to one or more of the following excellent texts:

1. Kieso, D., J. Weygandt and T. Warfield, *Fundamentals of Intermediate Accounting*, Wiley, 2003. Chapter 3 provides an excellent overview of the accounting recording process. This was the text prescribed in 2004 for ACCT5930 Financial Accounting.
2. Hoggett, J., L. Edwards and J. Medlin, *Financial Accounting in Australia*, 5th ed., Wiley, 2003 (also earlier editions).
3. Hoggett, J., L. Edwards and J. Medlin, *Accounting in Australia*, 5th ed., Wiley, 2003 (also earlier editions).
4. Duffus, A., *Study Guide to Accompany Accounting in Australia*, 5th ed., Wiley, 2003.
5. Trotman, K. and M. Gibbons, *Financial Accounting: An Integrated Process*, 2nd ed., Thomson, 2003 (also earlier edition).

ACCT5901 Accounting: A User Perspective does not provide enough background for ACCT5970. If you have not done ACCT5930 or its equivalent, you should complete ACCT5930 before starting ACCT5970.

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 skills 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 contacted on 9385 5418.

CONSULTATION ON COURSE CONTENT

Professor Malcolm Miller will be available each Tuesday 4 to 5 p.m. and each Thursday from 2 to 4 p.m. Dr Andrew Ferguson will be available at times to be advised. You can make appointments for other times. You may seek assistance by sending an email (include your name, student number and class time in your email).

THE CHANGEOVER TO INTERNATIONAL STANDARDS IN 2005

Australia is converging comprehensively in 2005 to the standards of the International Accounting Standards Board (IASB). Fortunately, the 4th edition of the Deegan text is geared to these new standards. The Eddey text will be supplemented, where necessary, to consider the effect of the changes arising from the adoption of the international rules.

WebCT

Properly enrolled students may access the subject's WebCT site through <http://webct.edtec.unsw.edu.au>. The powerpoint slides for each lecture and the answers to the weekly assignments will be posted there (lagged by one week) along with announcements relating to examinations and other matters.

PUBLIC HOLIDAYS

There are two public holidays during the session that clash with class times:

- Week 4, Easter - Good Friday, 25 March 2005
- Week 8, Anzac Day - Monday, 25 April 2005

In Week 4 the students in the Friday class should endeavour to attend one of the other three classes during that week. Similarly, in Week 8 the students in the Monday class should endeavour to attend one of the other classes. Class times and locations are as follows:

- Monday 18-21 Mathews 310
- Wednesday 15-18 Mechanical Engineering 304
- Thursday 18-21 Mechanical Engineering 304
- Friday 10-13 Webster 250

For Weeks 4 and 8, we will endeavour to post the lecture slides and assignment solutions on WebCT as soon as possible. That way no serious disadvantage should occur if students are unable to attend at the alternative times.

ADVICE TO STUDENTS – HOW TO STUDY THIS SUBJECT

ACCT5942/ACCT5970 covers many topics requiring you to read much material and master a range of technical accounting skills. To assist you in your studies the following advice is offered.

- (a) Attend all lectures and be alert in class (noting any special points). Lecture slides will be posted on the course website, but they will not cover everything the lecturer says. In preparing for the exams, note which aspects of each topic the lectures cover and the emphasis of the lecturer. It is surprising how many students do not follow this simple advice and put themselves at a disadvantage.
- (b) Read the textbook and any other set reading – skimming through the easy stuff but slowing down to carefully follow explanations of difficult accounting concepts or complex recording analysis in terms of debits and credits.
- (c) Attempt the assignment questions before each tutorial.
- (d) Attend the tutorial. Make sure you understand the answers to all the assignment questions set. In the tutorial there will a consideration of the “other relevant questions” to the extent that time permits. These questions provide additional practice for the exams and are as important as the assignment questions.
- (e) Closer to the exam date(s), revise your notes and the weekly questions. Work through any specimen examination questions provided to you.

Hopefully, you will get a lot out of the course for your future professional career and have some fun along the way. You will find that many of the accounting rules are logical and sensible while others are less than ideal and reflect the reality that setting accounting standards is a political process.

TOPIC OVERVIEW

<i>Week</i>	<i>Date</i>	<i>Topic</i>
Week 1	28 Feb-4 March	<ul style="list-style-type: none"> • Nature and objectives of external financial reporting • The Australian external reporting environment and the regulatory structure • The conceptual underpinning for accounting standards • Globalisation and the convergence of accounting standards – the roles of the IASB and the AASB • An overview of accounting for assets – Part 1
Week 2	7-11 March	<ul style="list-style-type: none"> • An overview of accounting for assets – Part 2 • Revaluation and impairment testing of non-current assets • Accounting for intangibles
Week 3	14-18 March	<ul style="list-style-type: none"> • An overview of accounting for liabilities • Leases
Week 4	21-24 March	<ul style="list-style-type: none"> • Equity and its component parts • Revenue and expense recognition issues • The case of construction contracts
<i>UNSW RECESS (25 March-3 April)</i>		
Week 5	4-8 April	<ul style="list-style-type: none"> • Reporting profit and changes in equity • Accounting for income tax – Introduction
Week 6	11-15 April	<ul style="list-style-type: none"> • Accounting for income tax – Further aspects
<i>Week 7</i>	<i>18-22 April</i>	<i>Mid-session test (on topics listed for Weeks 1 to 5)</i>
Week 8	26-29 April	<ul style="list-style-type: none"> • Introduction to consolidation
Week 9	2-6 May	<ul style="list-style-type: none"> • Outside equity interest
Week 10	9-13 May	<ul style="list-style-type: none"> • Intra-economic entity transactions
Week 11	16-20 May	<ul style="list-style-type: none"> • Indirect ownership interest
Week 12	23-27 May	<ul style="list-style-type: none"> • Associates • Joint ventures
Week 13	30 May-3 June	<ul style="list-style-type: none"> • Foreign currency transactions • Consolidation of offshore subsidiaries
Week 14	6-10 June	<ul style="list-style-type: none"> • Revision
<i>Final Examination (on topics listed for Weeks 6, and 8 to 14)</i>		

READING AND ASSIGNMENTS FOR THE FIRST SIX WEEKS

WEEK 1 (28 Feb-4 March)

- Nature and objectives of external financial reporting
- The Australian external reporting environment and the regulatory structure
- The conceptual underpinning for accounting standards
- Globalisation and the convergence of accounting standards – the roles of the IASB and the AASB
- An overview of accounting for assets – Part 1

Reading

Deegan: Ch.1
Ch.3 Sections 3.1 to 3.4 (pp.139-57)

Assignment (for review in Week 2)

Deegan: Ch.1 Questions 1.1, 1.2, 1.5, 1.12, 1.13, 1.14 and 1.16 (p.66)
Ch.3 Questions 3.1, 3.6, 3.7, 3.9 and 3.16 (pp. 148-9)

Other Relevant Questions

Deegan Ch.1 Questions 1.3, 1.7, 1.8, 1.18, 1.19, 1.25 and 1.26 (pp.66-8)
Ch.3 Questions 3.11, 3.19, 3.21 and 3.22 (p. 149)

WEEK 2 (7-11 March)

- An overview of accounting for assets – Part 2
- Revaluation and impairment testing of non-current assets
- Accounting for intangibles

Reading

Deegan: Ch.3 Sections 3.5 to 3.7 (pp. 158-71)
Ch.5
Ch.7

Assignment (for review in Week 3)

Deegan: Ch.3 Questions 3.17, 3.18, 3.23 and 3.24 (pp.173-4)
Ch.5 Questions 5.10, 5.11, 5.13, 5.16 and 5.18 (pp.223-6)
Ch.7 Questions 7.3, 7.4, 7.13, 7.15 and 7.22 (pp. 291-8)

Other Relevant Questions

Deegan: Ch.3 Questions 3.3, 3.15 and 3.25 (172-4)
Ch.5 Questions 5.2, 5.6, 5.7, 5.8, 5.9, 5.14 and 5.19 (pp.222-6)
Ch.7 Questions 7.7, 7.8, 7.19, 7.26 and 7.28 (pp. 291-301)

WEEK 3 (14-18 March)

- An overview of accounting for liabilities
- Leases

Reading

Deegan: Ch. 9
Ch. 10 Sections 10.1 to 10.5 (pp. 379-402) and end-of-chapter exercise as it relates to the lessee (pp. 418-9)
Appendices A, B and C (pp. 1176-81)

Note: Students with no knowledge of "Present Value" should read first Appendix C on "Calculating present values" (pp. 1180-1).

Assignment (for review in Week 4)

Deegan: Ch. 9 Questions 9.2, 9.3, 9.4, 9.11, 9.12, 9.17, 9.18 and 9.25 (pp.367-76)
Ch. 10 Questions 10.11 (b) and (d) (assume the implicit interest rate of interest is 12%) and 10.12 (b) (ii) (assume the PV of the MLP is \$231,140) (pp.421-2)

Other Relevant Questions

Deegan: Ch.9 Questions 9.6, 9.13, 9.14, 9.19, 9.20 and 9.26 (pp.367-76)
Ch.10 Questions 10.1, 10.2, 10.3, 10.6, 10.8 (c) and (d), 10.17 (c) and (d) (pp. 420-5)

WEEK 4 (21-24 March)

- Equity and its component parts
- Revenue and expense recognition issues
- The case of construction contracts

Reading

Deegan: Ch.13
Ch.15

Assignment (for review in Week 5)

Deegan: Ch.13 Questions 13.4, 13.8, 13.12, 13.13 and 13.14 (pp 489-90)
Ch.15 Questions 15.6, 15.9, 15.13, 15.14, 15.18 and 15.19 (pp. 574-7)

Other Relevant Questions

Deegan: Ch. 13 Questions 13.1, 13.2, 13.10 and 13.15 (pp. 489-90)
Ch. 15 Questions 15.1, 15.2, 15.3, 15.4, 15.11, 15.12, 15.15 and 15.16
(pp. 574-6)

WEEK 5 (4-8 April)

- Reporting profit and changes in equity
- Accounting for income tax – Introduction

Reading

1. Deegan: Ch.16
Ch.17 Section 17.1 (pp.605-13) and end-of-chapter exercise as it relates to the calculation of taxable income (pp.631-2).
2. Leo, K., J. Hoggett, J. Sweeting and J. Radford, *Company Accounting*, 6th ed., Wiley, 2005, Ch. 4 "Accounting for Income Tax", Sections 4.1 to 4.5.1 (pp.110-8). Many students have had difficulty in understanding Deegan's Chapter 17. The alternative approach of Leo et al. may help you master aspects of this difficult topic covered in Weeks 5 and 6.

Assignment (for review in Week 6)

Deegan: Ch. 16 Questions 16.3, 16.4, 16.7, 16.8, 16.9, 16.13 and 16.14 (pp.601-3)
Ch. 17 Questions 17.10 and 17.21 Part (c) (pp. 634-8)

Other Relevant Questions

Deegan: Ch. 16 Questions 16.5, 16.6, 16.11 and 16.15 (pp. 601-4)
Ch. 17 Questions 17.11 and 17.20 (pp.634-7). In answering Question 17.20 ignore the requirement in the text and instead calculate the taxable income of MR Ltd for the year ended 30 June 2006.

WEEK 6 (11-15 April)

- Accounting for income tax – Further aspects

Reading

1. Deegan: Ch. 17 Sections 17.2 to 17.8 (pp. 613-34)
2. Leo et al: Ch. 4 Sections 4.5.2 to 4.8 (pp. 118-43)

Assignment (for review in Week 8)

Deegan: Ch. 17 Questions 17.9, 17.12, 17.13, 17.20 and 17.21 (pp.634-8)

Other Relevant Questions

Deegan: Ch. 17 Questions 17.1, 17.4, 17.5, 17.6, 17.15 and 17.19 (pp.634-6)

WEEK 7 (18-22 April) No Lectures or Tutorials – Mid-session Test

STAFF BIOGRAPHIES

Malcolm Miller

BCom (Hons), MCom UNSW, FCA, FCPA, FCIS, FAIM

Malcolm Miller is an Associate Professor and the Program Director for the Master of Professional Accounting. He undertakes teaching and research in the area of financial accounting and reporting. In particular, he is interested in issues relating to accounting standard setting, the regulation of financial reporting and international accounting. In 2003 he was presented with the Outstanding Contribution to Practice Award of the Accounting and Finance Association of Australia and New Zealand (AFAANZ). For three years (2000-2002) he was a Vice-President of the International Association for Accounting Education and Research (IAAER). He was a member of the Australian Accounting Standards Board for four years to 31 March 1995. He was a member of the Public Sector Accounting Standards Board for three years (1987-1989). In 1995 he was a Visiting Scholar at the University of Reading and in 1977-78 and 1983 he was a Visiting Associate Professor at New York University. He held a senior position in the Sydney office of KPMG prior to joining the University in 1971. He has published extensively including research monographs for the Australian Accounting Research Foundation and papers in *The Accounting Review*, *Accounting and Business Research*, *Australian Accounting Review*, *Advances in International Accounting*, *Accounting Forum* and *Charter*.

Andrew Ferguson

BCom UNSW, BBus (Hons), GCert, PhD UTS

Andrew Ferguson is a Senior Lecturer in the School of Accounting. He teaches and researches in the financial accounting and auditing areas. Prior to joining UNSW, Andrew held staff positions at UTS, and previously worked as a research assistant at the AGSM. His research work has appeared in peer reviewed academic journals both in the Accounting and Finance areas.