THE UNIVERSITY OF NEW SOUTH WALES

School of Accounting

ACCT5970 ACCOUNTING CONCEPTS AND FINANCIAL REPORTING

SECOND SESSION
2003

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.

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 financial reporting rules in Australia;
(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

Staff	Phone	Email	Room
Dr Andrew Ferguson (Lecturer-in-Charge)	9385 6443	a.ferguson@unsw.edu.au	QUAD3090
Mr David Silipo	9385 5907	d.silipo@unsw.edu.au	QUAD3113
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,** 3rd ed., McGraw-Hill Irwin, 2002 (Abbreviated "Deegan").

2. Eddey, P., N. Arthur and J. Knapp, **Accounting for Corporate Combinations and Associations,** 5th ed., Prentice Hall, 2001 shrink-wrapped with Knapp, J., **Extension Chapter Thirteen: Translation of Foreign Currency Transactions and Balances**, Pearson Custom Publishing, 2002 (Abbreviated "Eddey"). Note: These two books will be available as a package later in the session from the UNSW Bookshop. Alternatively, you can buy them separately from the UNSW Bookshop at the present time with the total price of the two books equal to the package price. We do not use Eddey until Week 7 of session.

There is a MaxMARK card to accompany Deegan. The card provides access to about 30 multiple choice questions for each chapter in Deegan. It is a self-assessment package. Unfortunately, the emphasis in the questions often varies from our emphasis in class. So the purchase of the card provides limited benefit for this course.

USEFUL WEB SITES

1. www.aasb.com.au (Australian Accounting Standards Board – all the AASB's current pronouncements can be downloaded from this site)
2. www.mcgraw-hill.com.au/mhhe/acc/deegan3e/homepage.htm (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 techsec@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.

REFERENCE BOOKS

1. Henderson, S. and G. Peirson, **Issues in Financial Accounting,** 10th ed., Longman, 2002.
2. Jubb, P., S. Haswell and 1. Langfield-Smith, **Company Accounting,** 3rd ed., Nelson ITP, 2002.
3. Leo, K. and J. Hoggett, **Company Accounting in Australia**, 5th ed., Wiley, 2001.
4. Leo, K. and J. Radford, **Financial Accounting Issues,** 2nd ed., Wiley, 1999.
5. Knapp, J. and S. Kemp, eds., **Accounting Handbook 2003,** Prentice Hall, 2003.
6. Parker, C. and B. Porter, **Australian GAAP 2003,** Parker Publishing (A Division of Accountnet Pty Ltd), 2003. (This book provides an excellent up-to-date overview of Australian reporting requirements. The UNSW Bookshop has a limited number of copies in stock.)
7. Sims, M. A. and T. Heazlewood, **Reporting the Bottom Line: Financial Accounting,** Issue 2, Prentice Hall, 2000.
8. Whittred, G., I. Zimmer and S. Taylor, **Financial Accounting: Incentive Effects and Economic Consequences**, 5th ed., Harcourt, 2000.

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 13 you must have your copy of Eddey available for reference during class. There will be no lecture in Week 14, although tutorials will be held, and may include some revision component.

ASSESSMENT

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

Class participation	10%
Mid-session test (In Class Exam).	35%
Final examination	55%
	100%

To be eligible for a passing grade in this subject, students must perform at a satisfactory level in the final examination (e.g., achieve a mark of 50% or greater). Failure to do so may result in either a supplementary examination being required or the award of an Unsatisfactory Fail (UF) grade.

The scope of the mid-session examination 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 and locations. 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.

The scope of the final exam will be the lectures in Weeks 6, and 8 to 13 and the tutorials in Weeks 8 to 14. It will be held in the official UNSW examinations period from 13th November to 2nd December 2003. More information on the final exam will be provided later.

Students are advised that the class participation mark will be allocated by the Tutor / Lecturer at their discretion, and may include quizzes, student presentation of tutorial assignments, involvement in tutorial discussions etc, or other assessment media.

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. Hoggett, J., L. Edwards and J. Medlin, **Financial Accounting in Australia**, 5th ed., Wiley, 2003 (also earlier editions).
2. Hoggett, J., L. Edwards and J. Medlin, **Accounting in Australia**, 5th ed., Wiley, 2003 (also earlier editions).
3. Duffus, A., **Study Guide to Accompany Accounting in Australia**, 5th ed., Wiley, 2003.
4. Kieso, D., J. Weygandt and T. Warfield, **Fundamental of Intermediate Accounting**, Wiley, 2003. This is the new text for ACCT5930. Chapter 3 provides an excellent overview of the accounting recording process.
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 contact on 9385 5418.

CONSULTATION ON COURSE CONTENT

Dr Andrew Ferguson will be available each Thursday from 2 to 3 p.m, and from 6 to 7 p.m. You can make appointments for other times. You may seek assistance by sending an email. Mr David Silipo will advise of appropriate consulting hours for his students in due course.

TOPIC OVERVIEW

Week	Date	Topic
Week 1	28 July-3 August	• Nature and objectives of external financial reporting • The Australian external reporting environment • The conceptual framework • Globalisation and the convergence of accounting standards • The economic implications of accounting numbers and positive accounting theory • An overview of accounting for assets
Week 2	4-10 August	• Revaluation of non-current assets • Accounting for intangibles • Accounting for the extractive industries
Week 3	11-17 August	• An overview of accounting for liabilities • Leases
Week 4	18-24 August	• Accounting for employee entitlements • Revenue recognition issues • The case of construction contracts
Week 5	25 – 31 August	• The statement of financial performance • An overview of accounting for equity (share capital and reserves) • Accounting for income tax – Introduction
Week 6	1-7 September	• Accounting for income tax – Further aspects
Week 7	**8-14 September**	**Mid-session test (on topics listed for Weeks 1 to 5)**
Week 8	15-21 September	• Introduction to consolidation
Week 9	22-28 September	• Outside equity interest
UNSW RECESS (29 September-5 October)		
Week 10	6-12 October	• Intra-economic entity transactions
Week 11	13-19 October	• Indirect ownership interest
Week 12	20-26 October	• Associates • Joint ventures
Week 13	27 October-2 Nov	• Foreign currency transactions • Consolidation of offshore subsidiaries
Week 14	3-9 November	• Revision
		Final Examination (on topics listed for Weeks 6, and 8 to 14)

READING AND ASSIGNMENTS FOR THE FIRST SIX WEEKS

WEEK 1 (28 July-3 August)

- Nature and objectives of external financial reporting
- The Australian external reporting environment
- The conceptual framework
- Globalisation and the convergence of accounting standards
- The economic implications of accounting numbers and positive accounting theory
- An overview of accounting for assets

Deegan: Ch. 1 pp. 3-46 (Excludes Section 1.8)
Ch. 2 pp. 63-91 (Excludes part of Section 2.7, Section 2.8 and Section 2.9)
Ch. 3

Note: Model financial reports can be found at: www.deloitte.com.au/features/how to/ model financial reports. In the first half of the course it will be useful to refer to aspects of the Single Model Financial Reports; in the second half it will be useful to refer to aspects of the Consolidated Model Financial Reports.

Assignment (for review in Week 2)

Deegan: Ch.1 Questions 1.1, 1.4, 1.5, 1.13, 1.15, 1.17 (p. 51)
Ch.2 Questions 2.1, 2.3, 2.7, 2.9, 2.26 (p. 108-9)
Ch.3 Questions 3.1, 3.6, 3.7, 3.10 and 3.15 (pp. 148-9)

Other Relevant Questions

Deegan Ch.1 Questions 1.5, 1.10, 1.12, 1.21 (pp. 51-7)
Ch.2 Questions 2.8, 2.13, 2.14, 2.15, 2.20 (p. 109)
Ch.3 Questions 3.11, 3.12, 3.16, 3.17 (p. 149)

WEEK 2 (4-10 August)

- Revaluation of non-current assets
- Accounting for intangibles
- Accounting for the extractive industries focusing on the treatment of pre-production costs (asset or expense?)

Deegan: Ch.5
Ch.7 pp. 213-8, 227-41 (Excludes Section 7.1)
Ch.19 pp. 585-602, 604-5 (Excludes Section 19.6)

Assignment (for review in Week 3)

Deegan: Ch.5 Questions 5.8, 5.10, 5.16 (pp. 188-9)
Ch.7 Questions 7.5, 7.7, 7.14 (pp. 243-4)
Ch.19 Questions 19.2, 19.11, 19.14 (pp. 605-7)

Other Relevant Questions

Deegan: Ch. 5 Questions 5.2, 5.9, 5.12, 5.17 (pp. 188-92)
Ch. 7 Questions 7.8, 7.16, 7.19, 7.25 (pp. 243-51)
Ch. 19 Questions 19.3, 19.4, 19.12, 19.15, 19.17 (pp. 605-9)

WEEK 3 (11-17 August)

- An overview of accounting for liabilities
- Leases

Deegan: Ch. 9 pp. 289-301 (Excludes Sections 9.7 and 9.8)
Ch. 10 pp. 321-37, 347-50 (Excludes Sections 10.6 to 10.11) (In the end-of-chapter exercise on pp. 349-50 ignore part (d))
Appendixes A, B and C (pp. 1006-9).

Note: Students with no knowledge of "Present Value" should read first Appendix C on "Calculating present values" (pp. 1008-9).

AASB 1044: Provisions, Contingent Liabilities and Contingent Assets (October 2001). (This Australian standard harmonises to IAS 37 of the same name.)

Assignment (for review in Week 4)

Deegan: Ch. 9 Questions 9.3, 9.10, 9.11 (pp. 310-1)
Ch. 10 Questions 10.11 (b) and (d) (assume the implicit interest rate of interest is 12%), Question 10.12 (b) (ii) assume the PV of the MLP is $231,140) (pp352-3)

Other Relevant Questions

Deegan: Ch. 9 Questions 9.2, 9.13, 9.21 (pp. 311-3)
Ch. 10 Questions 10.1, 10.2, 10.3, 10.6 and 10.8 (c) and (d) (351-2)

WEEK 4 (18-24 August)

- Accounting for employee entitlements
- Revenue recognition issues
- The case of construction contracts

Deegan: Ch. 12
Ch. 15 pp. 443-53, 456-71 (Exclude Section 15.4)

Assignment (for review in Week 5)

Deegan: Ch. 12 Questions 12.13, 12.15, 12.16 (pp 392-3)
Ch. 15 Questions 15.6, 15.13, 15.15 (pp. 471-2)

Other Relevant Questions

Deegan: Ch. 12 Questions 12.9, 12.11, 12.12, 12.17 (pp 392-4)
Ch. 15 Questions 15.9, 15.11, 15.14 and 15.18 (pp. 471-3)

WEEK 5 (25-31 August)

- The statement of financial performance
- An overview of accounting for equity (share capital and reserves)
- Accounting for income tax – Introduction

Deegan: Ch. 16 pp. 477-92, 495-8 (Exclude Section 16.4)
Ch. 13 pp. 395-8, 401-3, 407-9 (Exclude Worked Examples 13.2 and 13.3 in Section 13.2 and exclude Sections 13.5, 13.6 and 13.7)
Ch. 17 pp. 503-510 (to the end of Section 17.1 for Week 5)

AASB 1018 (as reissued in June 2002) (To be distributed – also available from the AASB web site)

Assignment (for review in Week 6)

Deegan: Ch. 16 Questions 16.7, 16.16 (pp. 498-9)
Ch. 13 Questions 13.6, 13.8 (p. 411)
Ch. 17 Question 17.10 (p. 531)

Other Relevant Questions

Deegan: Ch. 16 Questions 16.8, 16.18, 16.19 (pp. 498-501)
Ch. 13 Questions 13.11, 13.14 (p. 411-2)
Ch. 17 Question 17.11 (p. 531)

WEEK 6 (1-7 September)

- Accounting for income tax – Further aspects

Deegan: Ch. 17 pp. 511-9, 521-30 (Exclude Section 17.5)

Leo, K. and J. Hoggett, Company Accounting in Australia, 5th ed., Wiley, 2001, Ch. 4 "Accounting for Income Tax", pp. 128-41, 144-56, 160-3, 167-71 (Exclude Sections 4.5.1, 4.5.2, 4.7.5, 4.7.6 and 4.9) (Some students have had difficulty in understanding Deegan's Chapter 17. The alternative explanatory style of Leo and Hoggett may help you master the topic.)

Assignment (for review in Week 8)

Deegan: Ch. 17 Questions 17.12, 17.13, 17.16, 17.21 (pp. 531-4)

Other Relevant Questions

Deegan: Ch. 17 Questions 17.14, 17.15, 17.17, 17.22 (pp. 531-5)

WEEK 7 (8-14 September) No Tutorials – Mid-session test

STAFF BIOGRAPHIES

Andrew Ferguson
BCom UNSW, BBus (Hons) UTS, GCert UTS, 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.

David Silipo
BCom UNSW, CA, ISIA

David Sillipo is actively involved in the CA program at the institute of Chartered Accountants, having worked as a group leader and examiner for Auditing, Financial Reporting and Taxation modules in the program. In addition, he lectures and consults to a number of educational institutes and universities in financial and management accounting, auditing and finance, including the Securities Institute of Australia and CPA Australia. Previously David worked for a number of years at PriceWaterhouseCoopers in Corporate Finance and National Training, and Macquarie bank in National Training, Financial Operations.