

THE UNIVERSITY OF NEW SOUTH WALES



Australian School of Business School of Accounting

ACCT3563
ISSUES IN FINANCIAL REPORTING AND
ANALYSIS

Course Outline

Session 1

2009

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1. Course staff

1.1 Staff members and contact details:

Full-Time Staff member	Room	Phone	Email
Associate Professor Richard Morris (Course coordinator)	QUAD 3064	9385 5818	richard.morris@unsw.edu.au
Jeffrey Knapp (Lecturer)	QUAD 3103	9385 5940	j.knapp@unsw.edu.au
Demi Chung (Lecturer)	QUAD 3091	9385 5836	demi.chung@unsw.edu.au
Jerry Chen (Lecturer)	QUAD 3058	9385 6930	j.chen@unsw.edu.au
Cheng Lai (Lecturer)	QUAD 3090	9385 6609	cheng.lai@unsw.edu.au

1.2 Communication and consultation with staff

Members of staff teaching the course will be available for consultation at specified hours (as posted on WebCT) or by appointment. Problems should be directed in the first instance to your tutorial instructor. Each member of staff will be available for up to three hours per week to conduct consultations on a drop-in basis. You are encouraged to seek help at a time that is convenient to you from any staff member teaching on this course during their regular consultation hours. In special circumstances, an appointment may be made outside regular consultation hours. Staff will not conduct any consultations by e-mail, unless they indicate a personal preference to do so. You may, however, phone staff during their consultation hours.

Please note that common written etiquette must be observed when conducting any written communication with staff members. Shorthand and SMS language are not permitted. Students' UNSW email accounts (eg z1234567@student.unsw.edu.au) will be used if staff members wish to email students, for example to notify that they have been granted a supplementary exam. Please check your UNSW email account regularly. If your student email account is full, you will not receive our messages so make sure you have available space. Email addresses such as Hotmail, Yahoo, Optusnet, MSN, Gmail etc. will **not** be used.

2. Information about the Course

2.1 Teaching times and Locations

Lecture times and location are as follows:

Lect A	Tuesday	12:00-2:00pm	Science Theatre
Or			
Lect B	Wednesday	4.00pm-6.00pm	CLB 7
Or			
Lect C	Tuesday	6.00pm-8.00pm	Elec.Eng G25

Tutorial times and locations can be found on MyUNSW. Tutorials are held Monday to Thursday and commence in week 1.

2.2 Units of Credit

ACCT3563 Issues in Financial Reporting & Analysis is worth 6 units of credit.

2.3 Parallel teaching in the Course

There is no parallel teaching: that is, ACCT 3563 is not available to postgraduate students.

2.4 Course Aims and Relationship to other Courses

ACCT 3563 extends what you learnt in ACCT 2542 Corporate Financial Reporting & Analysis by dealing with currently controversial financial reporting issues. While ACCT 2542 dealt with accounting for corporate groups (via consolidation accounting and equity accounting), ACCT 3563 assumes group accounting and then adds currently controversial financial reporting issues.

Running through these issues are important questions about (i) the recognition and measurement of assets, liabilities, revenues or expenses, (ii) whether accounting information is useful to investors, (iii) the role of accounting information in contracting; (iv) the incentives managers face to report truthfully versus their incentives to distort financial reports, (v) the political and economic forces that shape regulatory and corporate responses to accounting issues, and (vi) ethical issues related to accounting policy choices. The Course aims to make you familiar with these questions.

This Course forms part of a major, double major or disciplinary minor in Accounting within the Bachelor of Commerce or Bachelor of Economics degrees. In order to enrol in ACCT 3563, you must have passed ACCT 2542.

ACCT3563 constitutes part of the core curriculum studies required by CPA Australia and by the Institute of Chartered Accountants in Australia.

2.5 Summary of Course

The Course begins with a brief refresher on the Conceptual Framework. It then introduces Positive Accounting Theory and several ethical theories, the latter focussed on the aspects of Aristotle's *Nichomachean Ethics* applicable to business. This groundwork will be relevant throughout the Course. A series of contentious issues in financial reporting then follows. These commence with the more general topics of recognition and valuation of assets, revenues and provisions. After that, more specific topics are introduced, namely extractive industries and agricultural assets, share based payments, leases, and financial instruments. Financial instruments are a complex and controversial issue. They are covered over several weeks and students are introduced to compound financial instruments, foreign exchange transactions, derivatives and hedging. The Course concludes with coverage of accounting issues arising in recent corporate failures. Several corporate failures since the year 2000 provide striking examples of accounting abuses, particularly faulty recognition and measurement of assets, revenues and liabilities. Studying these abuses allows students to reflect on: (a) the accounting methods that *should* have been used; (b) the economic incentives which led to the abuses; and (c) the ethical issues involved. It also encourages integration of knowledge across topics in the Course.

2.6 Student learning outcomes

Content-based Outcomes

By the end of the Course, students should be able to:

- (i) Understand how particular accounting issues are dealt with by relevant IASB-based Australian accounting standards;
- (ii) Interpret accounting issues by reference to the Conceptual Framework, Positive Accounting Theory and ethical theories
- (iii) Apply definitions of concepts and recognition criteria plus measurement principles in accounting standards to accounting issues
- (iv) Demonstrate relevant practical bookkeeping techniques;
- (v) Identify if political forces appear to have shaped relevant accounting standards and other regulations, including the role of the IFRS harmonisation programme;
- (vi) Understand what economic factors appear to motivate companies in the way they actually report financial information;
- (vii) Appreciate the ethical issues that can arise in the way companies choose accounting methods;
- (viii) Understand if information provided in financial statements is useful to investors and creditors;
- (ix) Integrate their knowledge *across* topics; that is to apply what they have learned in one topic to other topics in the Course.
- (x) Conduct applied business research – acquiring, analysing and presenting accounting information;

Skills-based Outcomes

As a result of satisfactorily completing this Course, you will have had opportunities:

- (xi) to learn independently and to assume responsibility for the learning process;
- (xii) to work effectively in teams
- (xiii) to reflect on your own strengths and weaknesses as a learner; and an opportunity to write professional business reports.

2.7 Alignment of Course Learning Objectives with ASB Graduate Attributes*

Course Learning Objectives	ASB Graduate Attributes
i, ii, iii, ix, x	1. Critical thinking and problem solving
All	2. Communication oral and written
xii, xiii	3. Teamwork and leadership
v, vi, vii	4. Social, ethical and global perspectives
All	5. In-depth engagement with relevant disciplinary knowledge
xi, xii, xiii	6. Professional skills

*A full description of the Graduate Attributes identified by the Australian School of Business is available on the Course website under the Graduate Attributes tab.

3. Learning and Teaching Activities

3.1 Approach to learning and teaching

You are in third year at UNSW so by now you should have developed your own personal study techniques. However, experience in teaching this subject over many years strongly suggests that some students do not adopt the most effective or the most efficient study habits. The following advice is offered to such students. To maximise your learning and marks do the following:

- (a) Attend all lectures and take notes. An abridged version of lecture notes and handouts will be posted on the Course website. They will **not** contain everything the lecturer says - you need to attend all lectures to fill these gaps. In preparing for exams, note which aspects of each topic the lectures cover and/or the lecturer emphasises. It is surprising that some students do not follow this very simple advice. They thus put themselves at a great disadvantage. Research shows that class attendance and results in a course are strongly positively correlated.
- (b) Attend all tutorial classes. Make sure you understand the answers to **all** the questions set for tutorials. Most answers will be posted on the course website before the relevant tutorial, and students must download these and bring them to their tutorial. Since classes are only 60 minutes long, your tutor may not have time to cover all questions every week. However, for examination purposes we expect you to know the answers to all set tutorial questions whether covered in class or not.
- (c) Read the textbook readings. Some students complain that with two textbooks there is too much reading. However, the advantage of having two books is that two different ways of explaining the same issues are available on many topics. This should assist students' learning.
- (d) Read the remainder of the set reading. Do not neglect the items in the Supplementary Materials because exam questions are often based on them. Also in weeks 2, 11 and 12, the Supplementary Materials are the only set reading.
- (e) Closer to the exam dates, work through specimen mid-session test and final examination questions, which will be posted on the Course website.

- (f) Study consistently throughout session and do not leave it until the last minute to study for the exams. Many topics in the course are intellectually demanding and cannot be crammed successfully in the last few days before the exams.

3.2 Learning activities and teaching strategies

When enrolling for this subject, students are required to enrol in a lecture group and a tutorial class via NSS using the MyUNSW portal. Tutorial changes can only be made through NSS.

Lectures. The lectures will introduce students to new material and synthesise material relevant to each topic. Most weeks the lecture notes will be available on WebCT prior to each lecture. You will find your learning enhanced if you download and read the lecture notes prior to each lecture and bring them to the lecture.

Tutorials. The tutorials cover both practical and theoretical questions. Tutorials are designed to reinforce material covered in lectures, to provide practice with practical accounting problems, and to stimulate discussion. Tutorial solutions will be uploaded on WebCT before the relevant classes. Bring these solutions to class. You will get most out of your tutorial if you prepare the set questions in advance of the class. In response to students' feedback in previous semesters, we have included in the Tutorial Program past exam questions. However, solutions to these past exam questions are provided in tutorials only, no written solutions will be uploaded on WebCT. Each week, priority will be given by your tutor to discussing these questions. As the time available in each tutorial is limited, your tutor may not be able to cover all set questions each week. However, you are expected to know all tutorial material for examination purposes, whether covered in class or not.

All students should read the assigned weekly readings and attempt the tutorial questions *prior* to attending their tutorial class. The importance of adequate preparation prior to each tutorial including the completion of all tutorial questions cannot be overemphasised, as the effectiveness and usefulness of the tutorial depends to a large extent on students' active participation during the tutorial.

4. Learning Assessment

4.1 Formal Requirements

To be eligible for a passing grade in this course, students must:

- (a) Achieve a total composite mark of at least 50% **AND**
- (b) Satisfactorily complete all assessment tasks (see below) **AND**
- (c) Achieve a satisfactory performance in the final exam. This usually means a minimum mark on that exam of 50%. Any student having an overall mark of 50 or more but less than 50% in the final examination may either be given a UF grade (unsatisfactory fail) or be asked to sit a supplementary final exam, depending on the individual's circumstances.

A "pass conceded" (PC) grade is only granted by the Faculty's Assessment Committee, and not by the Head of School or by the Course Coordinator of this course.

4.2 Assessment Details

The weighting of your total composite mark will be as follows:

Assessment Item	Weight	Learning Outcomes Assessed	ASB Graduate Attributes Assessed
Mid-session test Week 6 (Friday 24 th April)	20%	i through viii	1, 2, 4, 5, 6
Assignment (due 5pm Friday 15 th May Week 9)	20%	i, ii, iii, v, vi, x, xii, xiii	1, 2,3, 5, 6
Final examination	60%	All except x, xi, xiii	All except 3.
TOTAL	100%		

MID-SESSION TEST – Friday 24th April, 5.00-6.30pm (Week 6) (20 MARKS)

The mid-session test will cover lectures for weeks 1-5 and the first five tutorials (weeks 1-5). The purpose of the mid-session test is to test students' knowledge midway through the course and provide timely feedback of their progress at that point. The mid-session test will be 90 minutes long and comprise multiple choice questions and short answer questions. The exact location (on campus) of the test on Friday 24th April and the number of questions will be advised later.

FINAL EXAMINATION (60 MARKS)

The final examination will cover the whole course but with emphasis on work not examined in the mid-session test. More information on the structure of the final examination will be provided later. A selection of past mid-session and final examination papers will be posted on the Course website.

The final examination will be run in the examination period after the end of the session. It is your responsibility to find out the day, time and location of the final examination from the UNSW website.

GROUP ASSIGNMENT: due by 5pm, FRIDAY 15th MAY (WEEK 9) (20 MARKS)

Topic: A Tale of Two Airlines: Qantas and Southwest Airlines

Qantas is well-known as Australia's national carrier. Southwest Airlines is a US domestic airline which has been the subject of the US and British reality TV program *AirlineUSA*. In this group assignment you will obtain the 2007 annual reports for both companies (uploaded on WebCT) and complete the following tasks.

- (a) Compare and comment on the two companies' performance in 2007 in terms of: (i) profitability, (ii) liquidity (use the closing stock price at the end of 2007 financial year for the price-earnings ratio), and (iii) financial structure using a selection of accounting ratios covered in ACCT 1511 Accounting & Financial Management 1B in

- Trotman & Gibbins *Financial Accounting* textbook chapter 15. (Hint: Because you will use ratios, there is no need to convert Southwest Airlines' accounts to Australian dollars.)
- (b) Read the article on Qantas in *Sydney Morning Herald*, "Moody's lowers Qantas' rating status" (uploaded on WebCT), comment on whether Qantas, in 2007, breached either of the two hurdle rates mentioned in the article.
 - (c) Across the two airlines, compare the structure of their financial statements in 2007 (balance sheet, income statement, statement of changes in equity, cash flow statement). Things to cover include, but are not restricted to, the level of detail on the face of the financial statements vs. in the notes to the accounts, the layout of balance sheet, income statement etc of each airline.
 - (d) Compare and comment on the two airlines' Significant Accounting Policies (listed immediately after the financial statements), indicating what they reveal about differences (if any) between A-IFRS and US GAAP.
 - (e) For the purpose of comparing the two airlines in 2007, critically evaluate how they have handled the following accounting issues:
 - a. Leases
 - b. Revenue recognition in general and for frequent flyer programmes (Hint: compare Qantas's policy in 2007 and 2008 for this)
 - c. Intangible assets
 - d. Provisions
 - e. Share-based payments
 - (f) Read the articles on Qantas by *Sydney Morning Herald* and *The Age* financial journalist Michael West (uploaded on WebCT). In the light of what you have found in this project, explain whether or not you agree with his criticisms of Qantas's accounting policies.

Word limit: 3000 words excluding tables, appendices, footnotes and references

Note:

- (a) Your answers should be based on the consolidated results of both airlines.
- (b) Sales should include passenger and flight revenues but exclude other revenues.
- (c) Round your answers to two decimal places.
- (d) Your answer should include comments on both airlines' financial performance based on the ratios calculated. Answers that only contain calculations with no discussion will only get half of the marks.

Syndicates

In the first or second week of classes, your tutors will put you into groups of four students each. Each group will submit one joint assignment by the due date. All syndicate members are expected to take part in the project. Unless there are exceptional circumstances, the project mark will be assigned equally to all syndicate members.

Submission:

All syndicates will submit an electronic version and a printed copy of their assignment. The electronic copy shall be submitted via the Turn-it-in software (on WebCT) for a plagiarism check before submitting the printed copy. Attach a cover sheet (on WebCT) to your printed copy. The printed copy should be submitted by the due date either to your tutor or in the ACCT 3563 assignment boxes on level 2 of the Quadrangle Building west wing.

Due Date: Friday 15th May by 5.00pm (week 9).

Late Submission

Late submission of your assignment without adequate reason will receive a penalty of one mark for each day late including weekends.

4.3 Special Consideration and Supplementary examinations

UNSW Policy and Process for Special Consideration

(see <https://my.unsw.edu.au/student/atoz/SpecialConsideration.html>)

- Applications for special consideration (including supplementary examinations) must go through UNSW Central administration (within 3 working days of the assessment to which it refers) – applications will not be accepted by teaching staff;
- Applying for special consideration does not automatically mean that you will be granted additional assessment or that you will be awarded an amended result;
- If you are making an application for special consideration (through UNSW Central Administration) please notify your Course Coordinator;
- Please note that a register of applications for Special Consideration is maintained. History of previous applications for Special Consideration is taken into account when considering each case.

Australian School of Business Policy and Process for Special Consideration and Supplementary Exams in Undergraduate Courses:

In the ASB, requests for special consideration are determined by a Faculty wide panel which will advise the Course Coordinator of appropriate action. If the Faculty panel grants a special consideration request, this may entitle the student to sit a supplementary examination. In such cases the following procedures will apply:

- Supplementary exams will be scheduled centrally and **will be held approximately two weeks** after the formal examination period. Actual date will be advised by mid-semester.
- Where a student is granted a supplementary examination as a result of a request for special consideration, the student's original exam (if completed) will not be marked and only the mark achieved in the supplementary examination will count towards the final grade.

Further information concerning supplementary examinations is available on the 'Policies and Guidelines for Current Students' page of the ASB website:

www.business.unsw.edu.au/currentstudents.

5. Academic Honesty and Plagiarism

The University regards plagiarism as a form of academic misconduct, and has very strict rules regarding plagiarism. For full information regarding policies, penalties and information to help you avoid plagiarism see: <http://www.lc.unsw.edu.au/plagiarism/index.html>

Plagiarism is the presentation of the thoughts or work of another as one's own.* Examples include:

- direct duplication of the thoughts or work of another, including by copying work, or knowingly permitting it to be copied. This includes copying material, ideas or concepts from a book, article, report or other written document (whether published or unpublished), composition, artwork, design, drawing, circuitry, computer program or software, web site, Internet, other electronic resource, or another person's assignment without appropriate acknowledgement;
- paraphrasing another person's work with very minor changes keeping the meaning, form and/or progression of ideas of the original;
- piecing together sections of the work of others into a new whole;
- presenting an assessment item as independent work when it has been produced in whole or part in collusion with other people, for example, another student or a tutor; and,
- claiming credit for a proportion a work contributed to a group assessment item that is greater than that actually contributed.†

Submitting an assessment item that has already been submitted for academic credit elsewhere may also be considered plagiarism.

The inclusion of the thoughts or work of another with attribution appropriate to the academic discipline does *not* amount to plagiarism.

Students are reminded of their Rights and Responsibilities in respect of plagiarism, as set out in the University Undergraduate and Postgraduate Handbooks, and are encouraged to seek advice from academic staff whenever necessary to ensure they avoid plagiarism in all its forms.

The Learning Centre website is the central University online resource for staff and student information on plagiarism and academic honesty. It can be located at:

www.lc.unsw.edu.au/plagiarism

The Learning Centre also provides substantial educational written materials, workshops, and tutorials to aid students, for example, in:

- correct referencing practices;
- paraphrasing, summarising, essay writing, and time management;
- appropriate use of, and attribution for, a range of materials including text, images, formulae and concepts.

Individual assistance is available on request from The Learning Centre.

Students are also reminded that careful time management is an important part of study and one of the identified causes of plagiarism is poor time management. Students should allow sufficient time for research, drafting, and the proper referencing of sources in preparing all assessment items.

* Based on that proposed to the University of Newcastle by the St James Ethics Centre. Used with kind permission from the University of Newcastle

† Adapted with kind permission from the University of Melbourne.

6. Course Evaluation and Development

Each year feedback is sought from students and other stakeholders about the courses offered in the School and continual improvements are made based on this feedback. UNSW's Course and Teaching Evaluation and Improvement (CATEI) Process

(http://www.ltu.unsw.edu.au/content/course_prog_support/catei.cfm?ss=0) is one of the ways in which student evaluative feedback is gathered. Significant changes to courses and programs within the School are communicated to subsequent cohorts of students.

7. Student responsibilities and conduct

7.1 Workload

It is expected that you will spend at least ten hours per week studying this course. This time should be made up of attending classes, reading, research, working on exercises and problems, performing internet searches. In periods where you need to complete assignments or prepare for examinations 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.

7.2 Attendance

Students are expected to attend a two hour lecture and a one hour tutorial each week. **TUTORIALS BEGIN IN WEEK 1. ATTENDANCE AT LECTURES AND TUTORIALS IS COMPULSORY.** An attendance record will be taken in each tutorial and used in considering marginal cases at the end of session.

Your regular and punctual attendance at lectures and tutorials is expected in this course. University regulations indicate that if students attend less than 80 per cent of scheduled classes they may be refused final assessment.

7.3 General Conduct and Behaviour

You are expected to conduct yourself with consideration and respect for the needs of your fellow students and teaching staff. Conduct which unduly disrupts or interferes with a class, such as ringing or talking on mobile phones, is not acceptable and students may be asked to leave the class. More information on student conduct is available at: www.my.unsw.edu.au

7.4 Keeping Informed

You should take note of all announcements made in lectures, tutorials or on the Course web site. From time to time, the University will send important announcements to your university e-mail address without providing you with a paper copy. You will be deemed to have received this information. Specific announcements will also be made via WebCT Vista.

8. Student Resources

8.1 Course Resources

TEXT BOOKS: students are expected to have copies of the following:

1. Deegan, C., *Australian Financial Accounting*, 5th edition, McGraw-Hill Irwin, 2007
2. Picker, R., K. Leo, K. Alfredson, P. Pacter, V. Wise *Australian Accounting Standards* Wiley, 2006. (This was the textbook for ACCT 2542 in session 2 2008, so you should already have a copy.) Five chapters are set reading in ACCT3563/3573.

3. **ACCT 3563 Supplementary Materials**, (*Individual readings are posted on the Course Website on WebCT Vista. NOTE: Printed copies of the Supplementary materials will NOT be available.*)

ACCOUNTING STANDARDS – Most weeks' readings contain references to accounting standards. You are not expected to know all the details in these standards, only those details highlighted by your lecturers and tutors. However, for accounting majors, some familiarity with accounting standards is essential. The standards themselves can be downloaded free of charge from the AASB's website at: www.aasb.com.au.

8.2 Course Website:

There is a website for this subject on WebCT Vista. A useful student guide to WebCT Vista can be accessed at:

http://support.vista.elearning.unsw.edu.au/content/student_default.cfm?ss=3

The Course website will contain the Course Outline, Tutorial Program, the Individual Assignment, Supplementary Materials Readings, a staff listing, and hotlinks to support resources. During Session, lecture notes, lecture handouts, tutorial solutions, frequently asked questions (FAQs) and various announcements will be posted progressively on the website, together with a selection of past examination papers. Each week, solutions to questions for that week's tutorial will be placed on the website in advance. Students must download these solutions from the website and bring them to class. Students will be expected to attempt all questions before each tutorial.

8.3 Other Resources, Support and Information

The University and the Faculty provide a wide range of support services for students, including:

- **Learning and study support**
 - Faculty of Business Education Development Unit QUAD 2039 (<http://education.fce.unsw.edu.au>)
 - UNSW Learning Centre (<http://www.lc.unsw.edu.au>)
 - EdTec – WebCT information (<http://www.edtec.unsw.edu.au>)
- **Counselling support** - <http://www.counselling.unsw.edu.au>
- **Library training and support services** - <http://info.library.unsw.edu.au>
- **Disability Support Services** – 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 Course Coordinator or the Equity Officer (<http://www.equity.unsw.edu.au/disabil.html>). Early notification is essential to enable any necessary adjustments to be made.

In addition, it is important that all students are familiar with University policies and procedures in relation to such issues as:

- **Examination procedures** and advice concerning illness or misadventure
<https://my.unsw.edu.au/student/academiclife/assessment/examinations/examinationrules.html>
- **Occupational Health and Safety** policies and student responsibilities;
<http://www.riskman.unsw.edu.au/ohs/Policies&Procedures/UNSW?Accountability.pdf>

Useful websites:

The Australian Accounting Standards Board: www.aasb.com.au

The Institute of Chartered Accountants in Australia: www.icaa.org.au

Australian Society of CPAs: www.cpaaustralia.com.au

The International Accounting Standards Board: www.iasb.org.uk

Australian Securities and Investments Commission: www.asic.gov.au

Australian Stock Exchange: www.asx.com.au

Financial Accounting Standards Board: www.fasb.org

Australian company annual reports are available from the Connect 4, Datanalysis and Mergent Online databases on Sirius in the UNSW library website (www.library.unsw.edu.au), and also from www.EquitiesInfo.com.au

Students may wish to become student members of the International Association for Accounting Education and Research (IAAER) (cost US\$20.00 per year). Student membership entitles you to unlimited access to eIFRS which covers all IFRS and educational materials of the IASB. Further details at: www.iaaer.org.

8.4 Are you adequately prepared for ACCT 3563?

Since ACCT2542 is the prerequisite for this course, it is assumed that you know about the standard setting framework, financial statement preparation, consolidation accounting and equity accounting. Students who do not feel confident about their knowledge of these topics should revise the relevant parts of the Picker et al. textbook.

In addition, it is assumed that you are fluent in written and spoken English. If that is not the case, you are strongly advised to take urgent remedial action because no allowance will be made for your inability to communicate clearly in English in examinations and written assignments.

8.5 Reference Books:

(Students should not purchase these as all are held on Open Reserve, Main Library)

Ernst & Young *International GAAP 2005 (using IFRS)* (Lexis Nexis)

IASB *International Financial Reporting Standards* latest edition

Elliott and Elliott *Financial Accounting and Reporting* 11th edition 2007 Prentice-Hall

Brealey, R.A. and S.C. Myers *Principles of Corporate Finance* (latest edition, McGraw Hill, chapters on leasing and hedging)

Godfrey, J., A. Hodgson, S. Holmes, *Accounting Theory*, 5th ed. (Wiley, 2003).

- Henderson, S., G. Peirson, K. Herbohn, *Issues in Financial Accounting*, 13th ed., Longman, 2008.
- Henderson, S., G. Peirson, K. Harris, *Financial Accounting Theory*, Pearson Prentice-Hall, 2004.
- Leo, K.J., J.R. Hoggett, J. Sweeting and J Radford *Company Accounting in Australia*, 6th ed., Wiley, 2005.
- Nobes, C., and R. Parker (eds) *Comparative International Accounting*, latest edition., Prentice Hall.
- Peirson, G, R. Brown, S. Easton and P. Howard, *Peirson and Bird's Business Finance* 7th ed., McGraw-Hill latest edition, chapters on leasing, futures contracts, options, and international financial management.
- Revsine, L, DW Collins and WB Johnson *Financial Reporting & Analysis* 3rd ed (Pearson 2005)
- Scott, W.R. *Financial Accounting Theory* Prentice Hall 3rd ed. 2003
- Drever, M., P. Stanton and S. McGowan *Contemporary Issues in Accounting* Wiley 2007
- Arthur, N., R.Grose, J. Campbell and L. Luff *Accounting for Corporate Combinations and Associations* 6th ed. Pearson Prentice-Hall 2008.
- Kieso, D., N.Fargher, V.Wise, J. Weygandt, T. Warfield *Fundamentals of Intermediate Accounting* Wiley 2008.

9. Honours Course ACCT 3573:

The honours course will be taught by Associate Professor Richard Morris. A separate course outline for the honours course will be distributed in the first honours seminar. Honours students attend the ACCT 3563 lectures, a weekly one-hour tutorial and a weekly one-hour honours seminar. Tutorials and seminars commence in week 1. To take ACCT 3573, you must have received an invitation to enrol from Assoc. Professor Mandy Cheng, the School's Honours Studies Director. Other students with a minimum average mark of 75% in their Accounting subjects may approach Associate Prof. Richard Morris or Assoc. Professor Mandy Cheng for permission to enrol in ACCT 3573.

Note: Before your class in week 1, Honours students should read the "Notes for Introductory Class on Research Fundamentals" uploaded on WebCT under the Honours tab. We will discuss these notes in the honours seminar in week 1.

10. COURSE SCHEDULE - LECTURE TOPICS BY WEEK

	Topics	Reading Materials
Week 1 Richard Morris	<ul style="list-style-type: none"> • Welcome and course arrangements • IFRSs and the Conceptual framework • Positive Accounting Theory: • Agency costs & external financial reporting • The dependence of financial contracting on accounting information • Choice of accounting methods by companies • Opportunism vs contracting efficiency • Earnings management • Critique of positive accounting theory 	Deegan chapter 1 pages 32-36 <i>Either</i> Picker, Chapter 2 <i>or</i> Deegan: Chapter 2. Deegan Chapter 3, sections 3.3 – 3.6
Week 2 Richard Morris	<p>Ethics in Accounting</p> <ul style="list-style-type: none"> • Why study ethics in accounting? • Are ethical principals axiomatic? • Teleological vs deontological ethical theories • Ethics and natural reason – Aristotle’s <i>Nichomachean Ethics</i> • Courage, Justice and Prudence – key natural virtues • Applications to accounting 	Supplementary materials: (on WebCT Vista): <i>Henderson & Peirson “Ethics in Accounting” section 31.2 on Normative Ethical Theories.</i> <i>Vardy & Grosch The Puzzle of Ethics ch 3 “Aristotle and Virtue Theory”</i> <i>Extracts from Aristotle’s Nicomachean Ethics</i>
Week 3 Demi Chung	<p>Accounting for Physical Assets and Intangible Assets</p> <ul style="list-style-type: none"> • Recognition and measurement issues in accounting for physical assets in the balance sheet including <ul style="list-style-type: none"> ○ meaning of cost of acquisition ○ the role of valuations ○ impairment ○ borrowing costs ○ Construction contracts • Accounting for intangible assets <ul style="list-style-type: none"> ○ identifiable intangibles versus goodwill ○ recognition and measurement rules ○ research and development costs • Comparison between accounting for physical assets and accounting for intangible assets • Relationship to earnings management 	Deegan Chapter 6 Deegan Chapter 8 Accounting Standards: AASB 102 AASB 116 AASB 123 AASB 136 AASB 138

	Topics	Reading Materials
Week 4 Demi Chung	Accounting for Provisions <ul style="list-style-type: none"> • Accounting for employee benefits <ul style="list-style-type: none"> ○ Salaries and wages, profit sharing and bonuses, non-monetary benefits ○ Annual leave, sick leave ○ long service leave • Provisions generally <ul style="list-style-type: none"> ○ Meaning of provision and how different to an accrual or contingent liability ○ Recognition and measurement of provisions • Relationship to earnings management 	Deegan Ch 10, sections 10.2, 10.4 Deegan chapter 13 Picker chapter 4 Accounting Standards AASB 119 AASB 137
Week 5 Jeffrey Knapp	Accounting for Assets in the Mining and Agricultural Industries <ul style="list-style-type: none"> • Accounting for the extractive industries <ul style="list-style-type: none"> ○ exploration and evaluation expenditures and the area of interest method ○ development and construction costs ○ amortisation of capitalised costs ○ inventories ○ revenues from sale of product ○ restoration costs • Overview of accounting for biological assets <ul style="list-style-type: none"> ○ Meaning of biological asset ○ Measurement of biological assets using valuation and impact on profits • Comparison between accounting for assets across the mining and agricultural industries • Relationship to earnings management 	Deegan Chapter 9 section 9.2 Deegan Chapter 21 Accounting Standards: AASB 6 AASB 141
	EASTER BREAK	
Week 6 Demi Chung	Revenue Recognition and Share-based Payments <ul style="list-style-type: none"> • Revenue recognition <ul style="list-style-type: none"> ○ Sale of goods ○ Rendering of services ○ Interest, royalties and dividends • Share based payments as expenses <ul style="list-style-type: none"> ○ Meaning of share based payment ○ Cash-settled and equity-settled share-based payment transactions • Relationship to earnings management 	Deegan chapter 16, sections 16.1-16.5 Deegan chapter 18 Picker chapter 25 Accounting Standards AASB 2 AASB 111 AASB 118
	MIDSESSION TEST FRIDAY 24th APRIL	

	Topics	Reading Materials
Week 7 Demi Chung	Accounting for leases <ul style="list-style-type: none"> • Understand the economic importance of leasing, and why it is an important and controversial issue in accounting. • Understand what leasing is, and distinguish between finance and operating leases. • Understand the accounting treatments for: <ul style="list-style-type: none"> • Finance leases; • Operating leases • Sale and leaseback arrangements • Consider consistency with conceptual frameworks and likely future developments 	Deegan, Chapter 11 Picker, Chapter 12 AASB 117, "Leases"
Week 8 Jeffrey Knapp	Accounting for financial instruments and foreign currency transactions <ul style="list-style-type: none"> • Understand what is a financial instrument, and how can they be categorised. • Accounting for a particular type of financial instrument – a "compound instrument" • Understand and become acquainted with, another type of financial instrument – a "derivative". • Understand the accounting treatments of foreign currency transactions at: <ul style="list-style-type: none"> • Date of transaction; • Balance date (if applicable); • Settlement date. • Understand how to account for unhedged foreign transactions. 	Picker, Chapter 5 (parts 5.1 - 5.3.5 pp. 126-158) Deegan, Chapter 15 (Sections 15.1 – 15.3 pp. 504-521 and "Compound Instruments" pp. 542-544) Deegan, Chapter 35, Sections 35.1 – 35.6 (pp. 1208-1218) AASB 7, "Financial Instruments: Disclosures" AASB 121, "The Effects of Changes in Foreign Exchange Rates" AASB 132, "Financial Instruments: Presentation" AASB 139, "Financial Instruments: Recognition and Measurement" Parkinson, G, Brilliant creatures, In The Black, October 2007, pp.42-45
Week 9 Jeffrey Knapp	Foreign currency translation and introduction to hedging <ul style="list-style-type: none"> • Explain and understand the difference between functional and presentation currencies • Translate a set of financial statements from local currency into the functional currency, and translate financial statements into presentation currency • Prepare disclosures required by AASB 121 • Accounting for a Qualifying Asset • Understand a hedge transaction • Introduction to hedge accounting 	Picker, Ch. 5 (parts 5.3.6 – 5.4 pp. 158-167) Picker, Chapter 21 (exclude sections 21.8 to 21.10 incl.) Deegan, Chapter 15 ("Derivatives Used Within a Hedging Arrangement", pp. 522-535) Deegan, Chapter 35, Sections 35.5 - 35.6 (pp. 1216-1235) AASB 121, "The Effects of Changes in Foreign Exchange Rates" AASB 139, "Financial Instruments"
	PROJECT DUE FRIDAY 15th MAY at 5.00pm	

	Topics	Reading Materials
Week 10 Richard Morris	Hedging <ul style="list-style-type: none"> • Accounting for Forward Rate Agreements • Accounting for Options • Accounting for Futures Contracts The impact of IFRS in Australia	<i>Picker</i> , Chapter 5 (parts 5.3.6 – 5.4 pp. 158-167) <i>Deegan</i> , Chapter 15 (“Derivatives Used Within a Hedging Arrangement”, pp. 522-534) <i>Deegan</i> , Chapter 35 (Sections 35.6 pp. 1218-1235) <i>Kruger, J</i> , Shaping Hedges, Accountancy Magazine, December 2005, pp. 504-517 AASB 139, “Financial Instruments: Recognition and Measurement” <i>Chalmers, K, Clinch, G, and Godfrey, J</i> , The real bottom line, <i>In The Black</i> , October 2007, pp.52-54.
Week 11 Richard Morris and Jeffrey Knapp	Accounting issues arising from recent corporate failures <ul style="list-style-type: none"> • The nature and causes of corporate collapses • Implications and costs of collapses • Accounting failures • The Enron, Worldcom, Parmalat, HIH, OneTel collapses and accounting failures • Regulatory responses • Earnings management in recent corporate failures 	Supplementary Materials: <i>Clarke & Dean Collapse Incorporated: Tales, Safeguards & Responsibilities of Corporate Australia 2001 Ch 3</i> <i>Dellaportas et al. Ethics, Governance & Accountability: A professional Perspective Wiley 2005, Ch 7 “Creative Accounting”</i> <i>Healy & Palepu “The Fall of Enron”</i> . <i>L. Brooks Business & professional Ethics for Directors, Executives and Accountants, (2004) chapter 2.</i>
Week 12 Richard Morris	Film: The Smartest Guys in the Room Course Wrap-up	Same as week 11