

THE UNIVERSITY OF  
NEW SOUTH WALES



**AUSTRALIAN SCHOOL OF BUSINESS**  
**SCHOOL OF ACCOUNTING**

**ACCT 9003 INTRODUCTION TO ACCOUNTING PRINCIPLES**

*Course Outline – Session 1 2008*

### ***1. Course Staff***

Brian Booth

### ***2. Communication with Staff***

The lecturer may be located at Room 3109 in the Quadrangle building. Consultation is available from 1500 hours to 1600 hours on Tuesday and from 1600 hours to 1800 hours on Thursday. Any course queries may be directed to ***b.booth@unsw.edu.au***.

### ***3. Course Information***

This introductory course in accounting is aimed at providing a student with an understanding of the purpose of financial reports and the limitations of data in those reports. Accounting is concerned with identifying the transactions and events that affect an economic activity, the collation of the financial effects of transactions in a financial database and communicating summaries of that data to the various stakeholders in the activity.

The initial discussions will be concerned with an overview of the types of organisational designs in which various activities are pursued and to the responsibilities of the stakeholders in that activity. The accountant's role in those activities will be examined along with the manner in which financial data are communicated to the stakeholders. Although there will be a brief outline of the processes involved in establishing a financial database and on the financial reports prepared from that database, the course emphasis is on developing an understanding and interpretation of the accounting numbers in a financial report and in media reporting, and the limitations of reported data. The only economic activities considered are those in the private sector with emphasis on profit-making activities.

The course will be conducted through group participation activities based on materials which will be distributed in class and made available on the web, and on financial data that will become available from the media.

Students may also wish to refer to published texts for further information on the subject matter; of which the following are excellent reference sources:

Trotman and Gibbons, *Financial Accounting, An Integrated Approach*, Thomson Learning Australia, Third Edition, 2006

Marshall et al (MM): *Accounting: What the Numbers Mean*, McGraw-Hill Irwin, 2005

#### ***4. Approach to Learning and Teaching***

The course is conducted over 13 2-hour group discussion seminars. A range of weekly materials are provided to assist you in obtaining a grasp of the scope and principles of accounting, with the ultimate goal the analysis and interpretation of the financial report of a public company.

It is up to you to choose how much work you consider necessary to devote to the course. During the set consultation periods and through email, you are free to seek assistance from the course supervisor at any time.

#### ***5. Course Aims and Outcomes***

In any accounting system, financial data are recorded in a database and summaries of that data are reported to various users. The aim of this subject is to provide you with an understanding of the concepts and processes which determine the data recorded in a database and the usefulness and limitations of data to be included in a financial report. No detailed knowledge will be required of the processes through which financial data are recorded in a database. To develop a grasp of the meaning of data in a financial report and to analyse data in that report, however, it is necessary to understand how financial statements are constructed from a financial database.

At least whilst pursuing your accounting studies, it is important to keep abreast of the financial data in one of the newspapers and to develop the skills to interpret that information. During the period, you may raise for consideration any financial data, which you had some trouble in understanding or would wish further clarification.

On completion of the subject, you should be able to:

- a) Look at various activities purely from a financial viewpoint and describe the impact of the financial effects of those activities on various stakeholders
- b) Identify the various organisational designs through which economic activity is pursued and the advantages and disadvantages of such designs
- c) Distinguish between special purpose and general purpose financial reports
- d) Outline the characteristics of the elements in a financial report, the criteria for the recognition of those elements and the basis of measurement
- e) Analyse the data in a financial report and be aware of the limitations of that analysis
- f) Develop an understanding of the regulatory controls under which financial reports are prepared, and the degree of managerial choice in recognition and measurement of financial data
- g) Gain an understanding of cost concepts relevant to a particular decision and the use of cost data in short term and long term decisions
- h) Develop an appreciation of business ethics and distinguish between legitimate policy choice, and manipulation and falsification of data in financial reporting.

- i) Development an appreciation of money and profit laundering and the participation of the various stakeholders in such schemes
- j) Analyse financial data constructively and critically

**6. Student Responsibilities and Conduct**

It is up to each student to pursue the course in his or her own way. The following learning strategies are suggested:

- a) Attend all group discussions and be prepared to participate in matters raised during those discussions. Copies of the relevant materials will be distributed in class and posted on the course website, but these may not cover everything arising from the weekly sessions or necessary for the course assignment. Thus there is a need be alert to any special points raised during the discussions.
- b) Spend the weekly periods constructively asking questions and arguing different viewpoints.
- c) Regular attendance is essential in reducing the workload necessary and essential as group participation accounts for a significant portion of the assessment.
- d) Read the relevant materials provided and make notes of the important concepts.
- e) The assignment is subject to discussion within the group, so that it is in the interest of students to raise any difficulties during the weekly periods.
- f) Keep yourself informed about any course developments through regular contact with the website.

**7. Learning Assessment**

Assessment in the course will be based on class participation and on a written research assignment. Students are expected to perform at a satisfactory level in both phases of the assessment to gain a pass in the subject.

Course assessment	
Class participation (assessed on a weekly basis)	25%
Major assignment	75%
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Total course assessment	100%
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The major assignment is to be submitted during class in the final week of the course. Late submissions will not be accepted.

## *Course Topics for Discussion*

### *Week 1: Economic Activity and Stakeholders*

- a) Economic activity and accounting entities
- b) Simple and complex organisational designs of economic activity
- c) Stakeholders in an economic activity
- d) Stakeholder participation in decisions concerning economic activities
- e) Reporting rights of stakeholders – specific purpose and general purpose financial reporting
- f) Framework of entity governance and administrative controls
- g) Characteristics of reported financial data

### *Week 2: General Purpose Financial Reporting*

- a) Accounting concept of an economic activity
- b) Basic construction of a general purpose financial report – key financial statements and notes; declarations by preparers and independent assessors
- c) Key financial statements – balance sheet, income statement and cash flow statement
- d) Statutory and other reporting constraints
- e) Equity stakeholder emphasis in financial reporting
- f) Accrual and cash reporting
- g) Terms used in key financial statements
- h) Basic assumptions underlying preparation of financial statements

### *Week 3: Establishing a Financial Database*

- a) Accounting construct of an economic activity
- b) Traditional accounting approach to database construction
- c) Algebraic and traditional database recording processes
- d) Periodicity problem in financial reporting
- e) Database adjustments at balance date
- f) Internal accounting database and financial reporting controls

### *Week 4: Understanding Data in a Financial Report - Assets*

- a) Identification and recognition of assets in financial reporting
- b) Use of notes to provide additional information on rights recognised as assets and on rights not recognised as assets
- c) Definite life and indefinite life assets
- d) Measurement of assets at acquisition and subsequent to acquisition

***Week 5: Understanding Data in a Financial Report - Liabilities***

- e) Identification and recognition of liabilities in financial reporting
- f) Liabilities and executory contracts
- g) Use of notes to provide additional information on recognised liabilities and on obligations not recognised as liabilities
- h) Interest-bearing liabilities, leases and income tax
- i) Classification of liabilities in financial reports
- j) Measurement of liabilities at and subsequent to the date incurred
- k) Transfer of credit, interest and currency risks through derivatives

***Week 6: Understanding Data in a Financial Report – Shareholders’ Equity***

- a) Public and proprietary companies
- b) Share issues and conversion of securities
- c) Share options
- d) Dividends and dividend reinvestment plans

***Week 7: Understanding Data in a Financial Report – Revenue and Expenses***

- a) Nature of revenue and expense
- b) Recognition criteria
- c) Construction, real estate and franchising arrangements
- d) Income statements and statements of cash flows

***Week 8: Financial Statement Analysis***

- a) Limitations of financial data
- b) Reported financial data relationships and comparative analysis
- c) Management and investor analysis
- d) Asset efficiency utilisation ratios
- e) Financial leverage ratios
- f) Liquidity ratios
- g) Shareholder investment ratios

***Week 9: Special Purpose Management Reporting***

- a) General purpose and special purpose management reporting
- b) Role of management and responsibility accounting
- c) Cost behaviour – activity and decision variables, standard costs and variances
- d) Methods of cost assignment to goods and services

***Week 10: Managerial Decision-Making***

- a) Cost and revenue behaviour
- b) Cost-volume-profit analysis – break-even points and operational targets point for single and multiple products
- c) Make or buy decisions, special pricing decisions, decisions related to discontinuing a product line or further processing a product
- d) Investment decisions

***Week 11: Planning and control of economic activities***

- a) Planning and control processes
- b) Short and long term planning
- c) Flexible and master budgets
- d) Investment planning

***Week 12: Ethics, Choice, Incompetence and Fraud***

- a) Stakeholders and focus of financial reporting
- b) Responsibilities of directors, accountants and auditors
- c) Reporting choices within the framework of regulatory reporting standards
- d) Failure of control systems
- e) Deliberate falsification of reported data
- f) Entity failure