THE UNIVERSITY OF NEW SOUTH WALES

SCHOOL OF ACCOUNTING

ACCT3563 ISSUES IN FINANCIAL REPORTING AND ANALYSIS

Course Outline

Session 1, 2004

OBJECTIVES OF THE SUBJECT

This subject deals with issues in external financial reporting by listed public companies and similar entities. It is intended for students majoring in accounting who will be involved in the preparation or use of company financial statements whether as accountants, financial executives, taxation officers, auditors, financial analysts, or legal advisors.

ACCT2542 Corporate Financial Reporting and Analysis, the prerequisite for this subject, dealt with company accounting and the preparation of financial statements by groups of entities controlled by a parent company. ACCT 3563 extends what you learnt in ACCT 2542 by covering financial reporting issues that are currently controversial in the media or the accounting literature. These issues concern important questions about (i) the existence, recognition and measurement of assets, liabilities, revenues or expenses, (ii) whether accounting information is useful to investors, and (iii) the role of accounting information in contracting. Examples include accounting for leases, foreign currency translation, accounting for derivatives, accounting in the extractive industries, self-generating & regenerating assets, expanded disclosure regimes, and accounting issues arising from recent corporate failures.

A major theme running through ACCT 3563 is that students should know not only the practical bookkeeping aspects of financial reporting topics but also the underlying conceptual (theoretical) issues and the political and economic forces that shape regulatory and corporate responses to them. The recent collapses of Enron and Worldcom in the USA, and HIH and One.Tel in Australia emphasise the importance of this theme. Different theoretical perspectives on accounting issues are presented, in particular agency theory and the conceptual framework/accounting standards perspectives. Students will be expected to understand, explain and critique both perspectives' views about accounting issues in the Course.

LEARNING OUTCOMES

At the completion of each topic covered in ACCT 3563, students should understand the following in relation to that topic:

(i) Whether an asset, liability, revenue or expense exists for accounting purposes, as per the Conceptual Framework and accounting standards;

(ii) whether recognition in financial statements should occur, or footnote disclosure only;

(iii) what measurement method(s) are used;

(iv) practical bookkeeping and display techniques appropriate to the topic;

(v) what political forces appear to have shaped relevant accounting standards and other regulations, including the role of the harmonisation programme;

(vi) what economic factors appear to motivate companies in the way they actually report financial information about the topic;

(vii) whether information provided in financial statements is useful to investors and creditors.

(viii) better students will be able to synthesize or identify interrelationships between each of these learning attributes, and will be able to integrate knowledge across topics

Technical accounting knowledge must be accompanied by the ability to communicate well both orally and in writing. The subject provides opportunities for practicing the communication of accounting knowledge. This will be achieved by requiring students to participate in tutorials and to hand-in written assignments and a group project.

COURSE WEBSITE

There is a website for this subject on WebCT. Initially, the website will contain the Course Outline, Tutorial Programme, a staff listing, and hotlinks to useful 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 practical 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 fully attempt all the numerically based questions, as well as the theory-based questions.

EMAIL

Each UNSW student has an email account based on his/her student number, i.e. zstudentnumber@student.unsw.edu.au. It will be used if staff wish to directly communicate with students, for example to notify them that they have been granted a supplementary exam. Please check your email account regularly. Other email addresses such as Hotmail, Yahoo, Optusnet, or Ozemail will **not** be used. Students should observe correct protocol in sending emails to staff. Emails to staff should contain your name, student number and your tutorial number and time. Emails without this information will not be answered.

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

1. Deegan, C., ***Australian Financial Accounting,*** 3rd edition, McGraw-Hill, 2002.

2. Whittred, G, I Zimmer, S. Taylor and P. Wells ***Financial Accounting: Incentive Effects and Economic Consequences*** 6th Edition, Thomson, 2004

3. Eddey, P., N. Arthur and J. Knapp, ***Accounting for Corporate Combinations and Associations,*** 5th edition, Prentice-Hall (Pearson Education), 2001

4. ***ACCT 3563/3573 Supplementary Materials***, School of Accounting, 2004

The textbooks by Deegan and Eddey et al. were prescribed texts for ACCT 2542/2552 in session 2, 2003, so most students will already have copies. Therefore, they will only need to buy the Whittred et al. book and the *Supplementary Materials* (2004 edition of both, not earlier years).

RECOMMENDED REFERENCE BOOK – you may wish to buy one of these two reference books:

Parker, C. (ed) ***The Accounting Handbook 2003,*** Prentice Hall, 2003

or

Parker, C. and B. Porter ***Australian GAAP*** 8th edition, Accountnet 2004.

Note about *The Accounting Handbook*: The Australian Accounting Standards Board allows free downloading of most AASB accounting standards, Conceptual Framework documents, Policy Statements and exposure drafts from the AASB's website (www.aasb.com.au – under Pronouncements). Students who do not already own *The Accounting Handbook* may prefer to use this facility. Because Australia is scheduled to switch to International Accounting Standards in 2005, the reading for most weeks covers relevant IASs as well as AASB standards.

Useful websites:

School of Accounting, UNSW www.accounting.unsw.edu.au
University of NSW www.unsw.edu.au
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

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

Belkaoui, A.R. and S. Jones, Accounting Theory 2nd Australian Edition, Academic Press, 2000, chapter 5 on the Conceptual Framework.

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

Godfrey, J., A. Hodgson, S. Holmes, Accounting Theory, 5th ed. (Wiley, 2003) also 4th ed., 2000.

Henderson, S., and G. Peirson, Issues in Financial Accounting, 9th ed., Longman, 1999 and 10th ed. 2002.

Jubb, P., I. Langfield-Smith, and S. Haswell Company Accounting, 3rd ed Nelson 2000

Leo, K.J., and J.R. Hoggett, Company Accounting in Australia, 5th ed., Wiley, 2001 and 4th ed. 1998.

Leo, K.J. and J. Radford (eds) Financial Accounting Issues, 2nd ed. Wiley 1999.

Nobes, C., and R. Parker (eds) Comparative International Accounting, 6th ed., Prentice Hall, 2001, and 5th ed. 1998.

Peirson, G, R. Brown, S. Easton and P. Howard, Peirson and Bird's Business Finance 7th ed., McGraw-Hill 1998 (chapters 16 [leasing], 18 [futures contracts] and 19 [options], and 21 [international financial management])

Scott, W.R. Financial Accounting Theory Prentice Hall 1997

WORKLOAD EXPECTATIONS

It is expected that you will spend at least ten hours per week studying this course. This time should be made up of reading, research, working on exercises and problems, performing computer tasks and attending classes. 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.

ASSESSMENT

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

(a)	Mid-session test in Week 7 on **Friday 23 April 2004** (75 minutes)	20
(b)	Final Examination (3 hours)	50
(c)	Group assignment (**due by 5pm Friday 28 May 2004, week 12**)	20
(d)	Hand-in answers to tutorial questions	10

		100

Students must have a satisfactory performance in each component of their assessment

MID-SESSION TEST - WEEK 7, FRIDAY 23 APRIL 2004 (20 MARKS)

Scope and Objective:

The scope of the mid-session test will be the **first ten lectures (weeks 1-5) and the first five tutorials (weeks 2-6).** The purpose of the mid-session test is to test students' knowledge midway through the course and provide feedback of their progress at that point.

Time and Venue:

The mid-session test will be held on Friday 23 April 2004 at the **AJC Convention Centre, Upper Tea House and Lower Tea House, from 11.30am to 1.30pm.**

FINAL EXAMINATION (50 MARKS)

Scope:

The final examination will cover the whole course but with more emphasis on work not examined in the mid-session test. More information on the structure of the test and the final examination will be provided later. A selection of past mid-session and final examination papers will be posted on the Course website. Students should note that the course content changed substantially in 2002 so some topics on past papers before 2002 are no longer taught in this subject.

Time and Venue:

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 (WEEK 12, FRIDAY 28 MAY 2004, 20 MARKS)

The impact on Australian companies of adopting IASB standards

Objective:

From 1 January 2005, Australian companies are scheduled to adopt International Accounting Standards (IASs) for financial reporting. The group assignment gives students the opportunity to investigate the impact of the changeover on individual companies. Exposure Draft ED 129 "Disclosing the Impact of Adopting AASB Equivalents to IASB Standards" (December 2003) requires Australian companies to disclose in their 2004 annual reports the likely impacts of adopting IASs. The ED is posted on the Course website. Also posted on the Course Website is the AASB's document "AASB Plans for Adopting IASB Standards by 2005" (updated 24 December 2003). You should read both.

Syndicate arrangements:

In weeks 2 and 3, your instructor will assist students to form syndicates of **three to four members**. Every student must be a member of a syndicate by week 4 at the latest (when no further tutorial changes are allowed). Failure to form a group will result in a mark of zero.

Each syndicate member must be involved in the research for and preparation of the syndicate's report. The project is structured to incorporate both individual and team components. Part of the challenge of group assignments is to ensure that all syndicate members do their share of the work. The assignment process will incorporate feedback on your team performance. However without evidence of extreme "freeloading", the mark (out of 20) given to your project will be assigned equally to all syndicate members.

Requirements:

Your tutorial instructor will assign each syndicate member a company. The report will investigate and compare the impact of IAS on both the individual companies financial statements as well as their industry(ies). Select the major accounting issues that you believe are relevant to your companies and industry reporting practices. The number of issues will usually range from four upwards. Your group report (2500 words) should:

(a) Provide a detailed discussion of the likely impact of each standard on the 2003 consolidated reported earnings and the 2003 consolidated balance sheet if IASs had been used instead of AASB standards. Where possible you should attempt to quantify the $ impact. You will need to state your assumptions used to estimate the $ impact. Where it is not possible to determine a $ amount, you should discuss other impacts of adopting IAS such as increased note disclosure or the likely direction of the impact (increase or decrease profits, assets, liabilities, equity).

(b) Give your assessment of the advantages and disadvantages of switching from AASB to IASB standards in 2005. You should discuss issues relevant at a company, industry and country level.

Data Sources:

Syndicates are responsible for obtaining the **2003 annual reports** for the company assigned. Annual Reports are available from the Datanalysis, Mergent Online and Connect4 databases on Sirius on the UNSW library website (under databases). Recent annual reports can also be downloaded from company websites or from http://www.EquitiesInfo.com.au. **Under no circumstances should students contact the companies and ask for any information or documents to do with this project**, because we want you to see what can be figured out using only publicly available sources, particularly annual reports.

Presentation:

The Report must be typed and must be correctly referenced in accordance with School and University policy. Guidelines on Presentation of Written Assignments may be found on the School's website under the "current students" tab. Quality of written expression will be taken into account in grading your Report. Poorly written work will not receive good marks, even if the content is correct.

Marking Guide:

A marking guide will be distributed by week 3.

Submission:

Submit your project by 5pm on Friday 28 May in the IFRA assignment box on level 2, western wing of the Quadrangle Building. The project should have attached the cover page, posted on the course website, signed by all syndicate members.

Remember to keep a copy of your submitted assignment.

Late submission penalty: **2 marks for each day late**. Late projects should be given to your tutor or a member of staff.

HAND-IN TUTORIAL QUESTIONS (10 Marks)

Your tutor will collect and grade your answers to the questions from tutorials for **four** randomly selected weeks. Each assignment will be graded out of 5 marks. Your mark will comprise your best three out of the four marks, scaled down to a mark out of 10.

Your answers to these tutorial questions should be typed or word-processed, although neat, legible handwriting is acceptable. Please remember to:

- put your name, student number and tutorial number & time on your work
- keep a photocopy of your submitted work.

Assignments must be submitted at class in person. Emailed assignments will not be accepted other than in exceptional circumstances and special permission must be obtained from your class instructor.

Length limit:

Your answers to each hand-in assignment must **not** exceed THREE typed pages of A4 paper.

Re-mark requests will only be accepted in exceptional circumstances and must be made within 7 days of the assignment being returned.

Assessment Policy:

The hand-in assignments will be assessed according to the extent of the attempt (quantity) made at answering each question and the completeness of the answers (quality). Quality of written expression will be taken into account in grading your hand-in assignments. Poorly written work will not receive good marks, even if the content is correct. Also note that errors in assignments will not be corrected. It is your responsibility to note and clarify any corrections during the tutorial session.

The following criteria will serve as a guide for assignment assessment:

Attempt Type	Typical Description	Mark
Excellent	A comprehensive attempt at 100% of the assigned questions	5
Good	A reasonable attempt at more than 75% but less than 100% of the assigned questions	4
Fair	A reasonable attempt at more than 50% but less than 75% of the assigned questions	3
Poor	A reasonable attempt at more than 25% but less than 50% of the assigned questions, or a partial attempt at the majority of questions	2
Very Poor	A minimal attempt at completing some questions	1
No Attempt	No assignment submitted	0

AVOID PLAGIARISM AND OTHER FORMS OF ACADEMIC MISCONDUCT:

The following is taken from the Faculty's website at www.fce.unsw.edu.au/current_students/

“Plagiarism entails taking and using as one’s own, the thoughts or writings of another without acknowledgement including:

(c) where paragraphs, sentences, a single sentence or significant part of a sentence which are copied directly, are not enclosed in quotation marks and appropriately footnoted;
(d) where direct quotations are not used, but ideas or arguments are paraphrased or summarised, and the source of the material is not acknowledged either by footnoting or other reference within the text of the paper; and
(e) where an idea, which appears elsewhere in print, film or electronic medium, is used or developed without reference being made to the author or the source of the idea.”

Also

“Plagiarism involves using the work of another person and presenting it as one’s own. Acts of plagiarism include copying parts of a document or audiovisual, or computer based material without acknowledging and providing the source for each quotation or piece of borrowed material.

Similarly, using or extracting another person’s concepts, experimental results or conclusions, summarising another person’s work or, where there is collaborative preparatory work, submitting substantially the same final version of any material as another student constitutes plagiarism. Moreover, encouraging or assisting another person to commit plagiarism is a form of improper collusion and may attract the same penalties.”

Students caught committing plagiarism in their group assignment or hand-in assignments will be severely penalised. **They will be given zero marks for that component of the subject and they may fail the subject.** Further action will be taken in serious cases, which could result in the student being excluded from the University for one or more Semesters. See following section on “Academic Misconduct”.

Relevant material about academic misconduct has been placed under the tab for “Current students” at: www.fce.unsw.edu.au/current_students/responsibilities.shtml
All students should read the material on this website.

ACADEMIC MISCONDUCT

Students are reminded that the University regards academic misconduct as a very serious matter. Students found guilty of academic misconduct are severely penalised. The penalty depends on the seriousness of the misconduct but can range from a reduction in marks, failing the subject, to exclusion from the University for a semester or permanently.

The University’s official policy on Academic Misconduct states: “The following are important examples of the actions which have resulted in students being found guilty of academic misconduct in recent years:

Misconduct concerning examinations

- taking unauthorised materials into an examination;
- impersonation in examinations;
- permitting another student to copy answers in an examination;
- exchanging notes between students in an examination;
- improperly obtaining prior knowledge of an examination paper and using that knowledge in the examination;
- removing an examination paper from an examination room when it is specified that the paper is not to be retained by the student;

Misconduct concerning academic works

- failing to acknowledge the source of material in an assignment;

- quoting without the use of quotation marks even if the source is acknowledged;
- plagiarism;
- submitting work for assessment knowing it to be the work of another person"

SUPPLEMENTARY EXAMINATIONS AND SPECIAL CONSIDERATION

Students who believe that their performance in this subject, either during session or in an examination, has been adversely affected by sickness, misadventure or other circumstances beyond their control may apply for special consideration for affected assessments.

Such applications should be submitted to the Registrar and Deputy Principal (at the student centre) as soon as practicable after the occurrence and in any event not later than seven days after the final examination in this subject.

Dates of Supplementary Examinations:

Students may be required to sit for an oral or written supplementary examination. The supplementary Mid-Session Test will be held on Thursday 22 July, 2004 from 2 pm to 3.30 pm. The supplementary Final Examination will be held on Thursday 22 July, 2004 from 9.15 am to 12.30 p.m. In general, these supplementary examinations will only be offered to a student who has been prevented from taking the Mid-Session Test or Final Examination (as the case may be) or who has been placed at a serious disadvantage during the examination, and whose circumstances have improved considerably in the period since the relevant examination was held. Failure to attend a supplementary examination, if you have been granted one, will result in forfeiture of any additional assessment granted to you.

Note: If granted a supplementary exam, you will be notified **by email** using your zstudentnumber@student.unsw.edu.au email address, so please consult that email address. Any other email addresses 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. Students will not be granted another supplementary exam because they did not access their university email.

CLASS ARRANGEMENTS

Students are expected to attend two one-hour lectures each week. They are also expected to attend one $1^{1/2}$-hour tutorial weekly, beginning week 2. **ATTENDANCE AT LECTURES AND TUTORIALS IS COMPULSORY**.

Tutorials will emphasize the application of problem-solving skills to specific questions and review assigned readings. The tutorials should assist students (a) to master practical aspects of the topics assigned, (b) to appreciate the patterning and directions of change within the discipline and (c) to understand the conceptual framework and agency theory perspectives on each topic, and to understand some of the important disputes in the Accounting discipline and the processes by which these are addressed and/or resolved.

STAFF CONSULTATION

Members of staff teaching the course are shown below. A staff consultation timetable will be posted on WebCT. Problems should be directed in the first instance to your tutorial instructor. Special difficulties may be referred to Dr Richard Morris, the course coordinator.

	Room	Phone	Email
Dr Richard Morris (Course Coordinator)	Quad 3066	9385 5818	richard.morris@unsw.edu.au
Dr Gerry Gallery (Honours stream)	Quad 3096	9385 5813	g.gallery@unsw.edu.au
Dr Maria Balatbat	Quad 3103	9385 5808	m.balatbat@unsw.edu.au
Dr Andrew Ferguson	Quad 3090	9385 6443	a.ferguson@unsw.edu.au
Professor Bob Walker	Quad 3085	9385 5836	r.walker@unsw.edu.au
Caitlin Ruddock	Quad 3123	9385 5806	c.ruddock@unsw.edu.au
Justin Li (part-time)			justin.li@student.unsw.edu.au
Brian Booth (part-time)			b.booth@unsw.edu.au
Steve Mong (part-time)			s.mong@unsw.edu.au
Eric Tan (part-time)			tane@rba.gov.au

TAS AND TUTORIAL ALLOCATIONS

All students can change their tutorial allocations on-line from Monday, 1 March 2004 to Sunday, 7 March 2004 at: http://admin.fce.unsw.edu.au/tass

After this date, queries can be addressed in QUAD 3107 from Monday to Friday in weeks 2 and 3. **TUTORIAL CHANGES WILL NOT BE ALLOWED FROM WEEK 4.**

HONOURS STREAM ACCT 3573: The honours course (ACCT 3573) will be taught by Dr Gerry Gallery. A separate course outline for the honours stream will be distributed in the first honours class. Honours students attend the ACCT 3563 lectures, a weekly $1^{1/2}$ hour tutorial and a weekly one-hour honours seminar. To take ACCT 3573, you must have a minimum average mark of 75% in ACCT 2532 and ACCT 2552. Students not already in the Honours Programme who have a minimum average mark of 75% in ACCT 2522 and ACCT 2552 may enrol in ACCT 3573 but must get permission first from Dr Gallery

ADVICE TO STUDENTS

How to study this subject. ACCT 3563 covers many topics and there is a lot of set reading, including technical material from accounting standards. To assist your studies, the following advice is offered. Do the following in the order shown:

(a) Attend all lectures and take notes. Lecture notes and handouts will be posted on the Course website, but they will **not** contain everything the lecturer says. In preparing for exams, note which aspects of each topic the lectures cover and/or the lecturer has emphasised. It is surprising how many students do not follow this simple advice, and thus put themselves at a disadvantage.

(b) Attend all tutorial classes. Make sure you understand the answers to **all** the questions set. Answers to some practical questions will be posted on the course website before the relevant tutorial, and students must download these and bring them to their tutorial. Answers to all questions will be uploaded after the week's tutorials have all finished. Since classes are only 90 minutes, your tutor may not have time to cover all questions every week, but we expect you to know for examination purposes the answers to all the set questions, whether they are covered in class or not.

(c) Read the textbook readings. The textbooks by Deegan and by Whittred, Zimmer, Taylor & Wells cover the factual material on accounting topics quite well. However, it is very important for you to understand that the two books adopt quite different theoretical positions on accounting issues covered in the Course. The Whittred book focuses on the economic consequences of accounting policy choices. It is based on an agency theory/costly-contracting perspective (see Preface page xii) which strongly influences the book's attitude to accounting policy choices, accounting standards and regulation. In a nutshell, its theoretical stance is that private contracting between stakeholders in a firm will produce the optimum accounting solution for that firm, in terms of reducing agency costs and providing decision useful information to stakeholders. Accounting standards can in some cases upset that equilibrium and thus be suboptimal. The formulation of new accounting standards aimed at improving financial reporting or covering emerging financial reporting issues is outside the scope of the book (see page 52). That is, in Whittred, new accounting standards are exogenously determined by regulators, and the book offers little guidance on the *a priori* theoretical correctness of accounting standards. Whittred does have a good summary of empirical research on accounting choices.

In contrast, the Deegan book adopts a more traditional approach. Although it covers agency theory, it also examines accounting issues from the perspective of their consistency with accounting standards and the conceptual framework and it suggests ways in which the standards and practice can be improved. The economic consequences of accounting choices are just one of many factors that standard setters must allow for in standard setting. Deegan's approach assumes that private contracting will not always result in the best solution to an accounting issue. Sometimes there will be "market failures" which can only be remedied by new regulations such as accounting standards.

You must be able to explain the differences between the theoretical positions in Deegan and Whittred when they arise in various topics.

(d) Read the remainder of the set reading. Do not neglect the items in the Supplementary Materials as exam questions are often based on them.

(e) Closer to the exam date(s), work through specimen mid-session test and final examination questions, which will be posted on the Course website. Be very cautious if consulting past papers before 2002 in the University Library, because many topics before 2002 are not covered in the Course now.

Students will benefit if they peruse articles in the financial press pertaining to company earnings, company failures and related announcements (which may refer to accounting techniques used by companies).

As ACCT 2542 (Company Financial Reporting and Analysis) is a prerequisite for this subject, it is assumed that students know basic company accounting, including consolidation accounting. Students who do not feel confident that they do should re-study the relevant parts of the Deegan and Eddey textbooks.

STUDENT SUPPORT:

The University provides a number of student support services to assist students who have difficulties. These services include:

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:

- o Academic skills workshops run throughout the session;
- o Printed and on-line study skills resources e.g. referencing guide, report writing and exam preparation;
- o A drop-in resource centre containing books and audio visual material that can be borrowed;
- o 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.

The Academic Adviser can assist students whose results at UNSW are not of "Good Standing". The Academic Adviser in the Faculty of Commerce & Economics is Judith Watson, room G17 John Goodsell Bldg (ph 9385 3285; email j.watson@unsw.edu.au).

Equity issues. Students with disabilities or other equity issues should contact the University's Equity and Diversity Unit located in the Applied Sciences Building on lower campus (www.equity.unsw.edu.au).

ACCOUNTING STUDENT SOCIETIES.

You are encouraged to join one of the student societies run by the Institute of Chartered Accountants in Australia (www.icaa.org.au) and by CPA Australia (www.cpaaustralia.com.au). Their websites contain useful information for students such as technical material on accounting standards and study resources.

SUMMARY OF TOPICS

WEEK 1 (1-5 March) Dr Richard Morris

Nature and objectives of external financial reporting

1. Accounting standards and the conceptual framework

2. The harmonization programme

3. Continuously Contemporary Accounting (CoCoA)

Reading:
> Deegan: 3rd ed. Ch 1, pages 21-50 (revision reading from ACCT 2542 CFRA); and Ch. 2 pp 92-95.
> Whittred et al;. pages 47-52, 465-467.
> Handbook – The Conceptual Framework documents SAC 1 to SAC 4; Policy Statements 1, 4, 5, 6 (all to be skim read only).
> Supplementary Materials: Reading 1 Ernst & Young *Accounting Alert* 493 (2004).

WEEK 2 (8-12 March) Dr Andrew Ferguson

Alternative Accounting Theories

1. Positive vs normative theories

2. Evidence of the association between agency costs and external financial reporting

3. The dependence of financial contracting on accounting information

4. Choice of accounting methods by companies

4. Critique of positive accounting theory

5. Stakeholder and legitimacy theories

6. Reputation and ethical issues

Reading:
> Deegan: 3rd ed. Ch 2, pages 66-90, 95-103
> Whittred et al., Ch 1.

WEEK 3 (24 – 28 March) Dr Maria Balatbat

Reporting Firm Performance

1. What is income?

2. Recognition and measurement of income

3. An illustration: long-term construction contracts

4. Earnings per share – basic and diluted

Reading:
Whittred, Zimmer, Taylor and Wells: Chapter 4 and 5 (pages 103-117 only)
Deegan: Chapters 15 and 25
Handbook: Standards AASB 1004, AASB 1009, AASB 1018, AASB 1027.
IASB website (www.iasb.org.uk): summaries of standards IAS 1, IAS 8, IAS 11, IAS 18, IAS 33 (all to be skim read).

WEEK 4 (22-26 March) Dr Maria Balatbat

A Reporting Firm Performance (continued)

1. Value relevance of earnings - cash versus accrual income

2. Earnings quality
   Earnings management and how to detect it
   Beating analysts' forecasts

B Identifiable Intangible Assets (IIAs)

1. What are IIAs?

2. Differentiate IIAs from goodwill?

3. Identification, recognition and measurement of IIAs

4. Research and development (R&D)
   Is R&D an asset for accounting purposes?
   If R&D is an asset, how should it be measured and reported?

5. Implications of ED109 and IAS 38

Reading:
Whittred, Zimmer, Taylor and Wells: Chapter 11
Deegan: 3rd ed. Chapter 7
Supplementary Materials: readings 2 by Miller & Carlon
Handbook: Standard AASB 1011, ED 114
IASB website (www.iasb.org.uk): Summary of standard IAS 38

WEEK 5 (29 March – 2 April) Dr Andrew Ferguson

Accounting for the Extractive Industries

1. Asset recognition & measurement and revenue recognition in the extractive industries

2. The alternative methods to account for preproduction costs within the historical cost framework: immediate expensing, expense and reinstate, full cost, successful efforts, area of interest

3. The development of accounting standards in the US and Australia, and the accompanying political pressures

4. Capital market reaction to the standards

5. Attempts to overcome the deficiencies of historical cost - the alternative of reserve recognition accounting (RRA) in the USA

6. Voluntary recognition of reserves in Australia

Reading:
Deegan: 3rd ed. Chapter 19
Whittred et al., ch 10, pages 242-244; ch 17, pages 412-423
Handbook: standard AASB 1022
IASB website (www.iasc.org.uk) Views of Committee on A/c for Extractive Industries

Mid-session test cut-off (test covers lectures for weeks 1-5)

WEEK 6 (5-9 April) Dr Andrew Ferguson

Accounting for leases by lessees and lessors

1. Economic importance of leasing and the types of lease contracts (variations in length, payments, executory costs, ease of cancellation, residual values, bargain purchase options)

2. Underlying accounting issues. Is a lease an asset/liability of the lessee or of the lessor, and how should the asset/liability be measured?

3. The "new approach" proposal

4. Finance vs operating leases and the accounting treatments for the lessee and the lessor

5. Sale-leaseback transactions

6. Review of the empirical evidence, including the economic consequences of lease capitalisation

Reading:
Deegan: 3rd ed. ch. 10

Whittred et al., Ch 8 (ignore pp 202-203 on leveraged leases)
Handbook: Standard AASB 1008 "Accounting for Leases"
Supplementary Materials: Readings 3-6 (by McGregor, Monson, AAA Financial Accounting Standards Committee, and ASIC)
IASB website (www.iasb.org.uk): Summary of standard IAS 17 "Leases" (skim read)

Mid-semester Recess: 9 - 18 April

WEEK 7 (19- 23 April) Dr Maria Balatbat
(Note that there is no lecture on Thursday 22 April 2004 due to Mid-session Test)

Accounting for foreign operations

1. Types of foreign operation: integrated vs self-sustaining foreign operations

2. Gains or losses from exchange rate movements (exchange rate risk)

3. Accounting methods to translate foreign operations to Australian dollars – temporal vs current rate methods

4. Treatment of foreign exchange gain or loss – revenue/expense or reserve?

5. What do translated accounts represent – historical cost, current values?

6. Critique of temporal method and current rate method

Reading:
Eddey et al. Chapter 10
Whittred, Zimmer, Taylor and Wells: Chapter 15 (pages 382-388 only)
Handbook: Standard AASB 1012, paras .06, .20, .72, .73, Commentary paras viii-xviii, xxvii, Appendix 1.
IASB website (www.iasb.org.uk): Summary of standard IAS 21 (skim read)

WEEK 8 (26 - 30 April) Dr Maria Balatbat

Accounting for Foreign Currency Transactions

1. Exchange rates: historical rate vs spot rate vs forward rate

2. Exchange gains and losses from foreign transactions (exchange rate risk)

3. Measurement principle in AASB 1012: all unsettled foreign transactions to be revalued using spot rate at balance date with immediate recognition in SFPe of gains/losses

4. Qualifying assets

5. Accounting for unhedged foreign transactions

Reading:

Knapp *Extensions Chapter 13* (pages 175-192). This supplement was shrink-wrapped with the *Eddey* textbook when you purchased it last year.
Whittred, Zimmer, Taylor and Wells: Chapter 15 (pages 380-382 only)
Deegan 3rd ed. chapter 31 (pages 895-902)
Handbook: standard AASB 1012 paras .06, .10-.14, .30-.50, Commentary paras ii-vii, xii, xix-xxvi, Appendix 2
IASB website (www.iasb.org.uk): Summary of standards IAS 21, IAS 39 (all to be skim read)

WEEK 9 (3-7 May) Dr Maria Balatbat

Accounting for Derivatives

1. Hedges – an example of a derivative financial instrument

2. Types of hedges – specific vs general vs natural

3. Accounting for specific hedges

4. Accounting for general hedges

5. Derivatives – a form of financial instrument

6. Derivatives used for hedging vs derivatives used for speculation

Reading:

Knapp *Extensions chapter 13,* omitting material on currency rate swaps on pp 192-204. This supplement was shrink-wrapped with the *Eddey* textbook when you purchased it last year.
Whittred, Zimmer, Taylor and Wells: Chapter 15 (pages 388-391)
Deegan 3rd ed Chapter 14, (pages 414-418)
Deegan 3rd ed. chapter 31 (pages 902-915)
IASB website (www.iasb.org.uk): Summary of standards IAS 21, IAS 39

WEEK 10 (10-14 May) Dr Richard Morris

Accounting for Derivatives (continued)

1. Accounting for futures contracts (continued)

2. Accounting for options

3. Accounting for swaps

4. Evaluation of accounting for derivatives (including hedges)

Reading:

Deegan: 3rd ed Ch 14, pages 426-432; Ch 31, section 31.6.
Knapp *Extensions chapter 13*, pp 204-209
Supplementary Materials: readings 7 – 13
Handbook: Standard AASB 1033
IASB website (www.iasb.org.uk): Summary of standards IAS 32, IAS 39

WEEK 11 (17-21 May) Professor Bob Walker

Expanded Disclosure Regimes in Financial Reporting

1. Continuous reporting
2. Triple bottom line reporting

Reading:

Deegan: 3rd ed. chapter 33
Supplementary Materials: readings 14 and 15 by ASIC and ASIC Media Release

Week 12 (24-28 May) Professor Bob Walker

Accounting Issues Arising From Recent Corporate Failures

Corporate collapse and creative accounting

1. The nature and causes of corporate collapses

2. Implications and costs of collapses

3. Contributing accounting factors

4. The Enron, HIH, OneTel, Harris Scarfe collapses and accounting failures

5. Benefits of early detection

Reading:

Supplementary materials: reading 16 by Benston & Hartgraves. Other readings may be distributed in lectures

WEEK 13 (31 May - 4 June) Dr Richard Morris

Business ethics and financial reporting

1. What are ethics? What are business ethics?

2. Teleological ethical theories

3. Deontological ethical theories

4. Ethical principles and natural reason – Aristotle's *Nichomachean Ethics*

5. Unethical trends in modern business

6. Ethical issues and dilemmas in financial reporting

Reading:

Supplementary materials, readings 17-21 by Henderson & Peirson; Vardy & Grosch; Aristotle's *Nicomachean Ethics*, and the *Sydney Morning Herald's* Good Reputation Index.

WEEK 14 (9-13 June) Dr Richard Morris

A. *Business Ethics and financial reporting (continued)*

Reading: as for week 13

B. Course Wrap-Up