THE UNIVERSITY OF NEW SOUTH WALES

Faculty of Commerce and Economics

School of Accounting

ACCT3563
ISSUES IN FINANCIAL REPORTING AND ANALYSIS

Course Outline

Session 1

2006

1.Course staff

1.1 Staff members assigned to the course are listed below:

Staff member	Room	Phone	Email
Associate Professor Richard Morris (Course coordinator)	QUAD 3066	9385 5818	richard.morris@unsw.edu.au
Dr Maria Balatbat (Lecturer)	QUAD 3103	9385 5808	m.balatbat@unsw.edu.au
Gary Pflugrath (Lecturer)	QUAD 3116	9385 5840	g.pflugrath@unsw.edu.au
Shrutika Chugh (Associate Lecturer)	QUAD 3115	9385 5823	s.chugh@unsw.edu.au
Casual tutors – to be advised			

1.2 Communication with staff

A staff consultation timetable will be posted on WebCT Vista. Staff will be available for consultation for three hours per week (or a proportional amount for part-time staff). Problems should be directed first to your tutorial instructor. Special difficulties may be referred to Associate Professor Richard Morris, the course coordinator.

Each UNSW student has an email account based on his/her student number, e.g. z1234567@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, Ozemail, MSN etc. 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.

2. Information about the Course

2.1 Teaching times and Locations

Lecture times and location are as follows:

Lect a	Tue	10:00 - 11:00	Physics Theatre
Lect a	Thu	10:00 - 11:00	Physics Theatre
or			
Lect b	Tue	16:00 - 17:00	CLB 8
Lect b	Thu	16:00 - 17:00	CLB 8
or			
Lect c	Tue	18:00 - 20:00	CLB 1

Tutorial times and locations can be found on MyUNSW.

2.2 Units of Credit

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

2.3 Relationship of this course to other course offerings

This course is offered by the School of Accounting and 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 Corporate Financial Reporting & Analysis. ACCT3563 constitutes part of the core curriculum studies required by CPA Australia and the Institute of Chartered Accountants in Australia.

2.4 Approach to learning and teaching

Most of you are in your third year at university, so by now you should have developed your own personal study techniques. If you have done well in other courses, these techniques clearly have efficacy. However, experience in teaching this subject over many years strongly suggests that not all students adopt the most effective or efficient study habits. The following advice is offered to such students:

ACCT 3563 covers many topics and there is a lot of set reading, including some technical material from accounting standards. To maximise your learning (and marks) you should do the following:

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

(b) <u>Attend all tutorial classes</u>. Make sure you understand the answers to **<u>all</u>** the questions set. Answers to questions 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, we expect you to know for examination purposes the answers to all set tutorial questions whether covered in class or not.

(c) <u>Read the textbook readings</u>. Students sometimes 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 issues are available on many topics. This should assist students' learning.

(d) <u>Read the remainder of the set reading</u>. Do not neglect the items in the Supplementary Materials as exam questions are often based on them. Also in some weeks, the Supplementary Materials are the only set reading.

(e) Closer to the exam date(s), <u>work through specimen mid-session test and final examination questions</u>, 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. Course Aims and Outcomes

3.1 Course Aims

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.

ACCT 2542 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. 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. Topics include accounting for leases, foreign currency transactions, accounting for derivatives, accounting in the extractive industries, expanded disclosure regimes, and accounting issues arising from recent corporate failures.

Major themes running through ACCT 3563 are 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, HIH and One.Tel in Australia, and Parmalat in Italy emphasise the importance of the latter themes. Different theoretical perspectives on accounting issues are presented, in particular positive accounting 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.

3.2 Student learning outcomes

Content-based Outcomes

At the completion of most topics 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 the IASB-based Australian accounting standards;

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

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

(iv) practical bookkeeping 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) what ethical issues arise in the way companies choose accounting methods

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

(ix) 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

Skills-based Outcomes

As a result of satisfactorily completing this course, you will have:

(x) an opportunity to learn independently and to assume responsibility for the learning process;

(xi) an opportunity to learn within teams – to co-operate with team members, to assume leadership and to manage differences and conflicts;

(xii) an opportunity to conduct applied business research – acquiring, analysing and presenting knowledge;

(xiii) an opportunity to think critically about informing literatures (both research and practitioner-based literature) and generally accepted accounting principles;

(xiv) an opportunity to develop an ability to apply knowledge to specific companies;

(xv) an opportunity to reflect on your own strengths and weaknesses as a learner; and an opportunity to write professional business reports.

3.3 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 be made through NSS.

<u>Lectures</u>. 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 the lecture notes prior to each lecture and bring them to the lecture.

<u>Tutorials.</u> The tutorials cover both practical and theory 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. You will get most out of your tutorial if you prepare the set questions in advance of the class. As the time available in each tutorial is limited, your tutor may not be able to cover all set questions each week. However, as solutions to all questions are provided on WebCT, 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. STUDENT RESPONSIBILITIES AND CONDUCT

4.1 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.

4.2 Attendance

Students are expected to attend two one-hour lectures each week. They are also expected to attend one 1-hour tutorial each week, beginning week 2. **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 seminars 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.

4.3 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

4.4 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.

5. LEARNING ASSESSMENT

5.1 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 will 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 may only be granted by the Faculty of Commerce and Economics Assessment Committee, and not by the Head of School or the Lecturer-in-charge of this course.

5.2 Assessment Details

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

Assessment Item	Weight	Item Assesses Learning Outcomes
Mid-session test Week 8, (time to be advised)	25%	i, ii, iii, iv, v, vi, vii, viii, xiii
Group assignment (Friday Week 12)	20%	x, xi, xii, xiv
Final examination	55%	i, ii, iii, iv, v, vi, vii, viii, ix, xiii
TOTAL	**100%**	

MID-SESSION TEST – Week 8 (25 MARKS)

The mid-session test will cover the **first twelve lectures (weeks 1-6) and the first six tutorials (weeks 2-7).** 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 midsession test will be 90 minutes long and comprise all multiple choice questions. The number of questions will be advised later.

FINAL EXAMINATION (55 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 date: 5pm on FRIDAY of WEEK 12) 20 MARKS

Further details will be released later

5.3 Special Consideration and Supplementary examinations

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.

The School of Accounting follows the UNSW policy and process for Special Consideration (see https://my.unsw.edu.au/student/atoz/SpecialConsideration.html). Specifically:

- 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 staff in the School of Accounting;
- 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 also notify your Lecturer in Charge;
- Please note: the School of Accounting maintains a register of applications for Special Consideration. History of previous applications for Special Consideration is taken into account when considering each case.
- Students will be notified by e-mail only using their zstudentnumber@student.unsw.edu.au address if they have been granted a supplementary exam. It is the student's responsibility to check their e-mails on this address or contact the course coordinator prior to scheduled supplementary exams. Notification by post will no longer occur.

Supplementary exam date. If a supplementary exam is approved, there will be only one opportunity to sit that exam. For ACCT3563 the supplementary final examination will be held on Thursday 20th July 2006 from 9.15 am to 12.30 pm and the supplementary mid-session test will be held on Thursday 20th July 2006 from 2 pm to 3.30 pm.

6. 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.

7. Student Resources

7.1 Course Resources

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

1. Deegan, C., ***Australian Financial Accounting,*** 4th[nd] edition, McGraw-Hill, 2005

2. Alfredson, K, K. Leo, R. Picker, P. Pacter, J. Radford ***Applying International Accounting Standards*** Wiley, 2005. (This was the textbook for ACCT 2542 in 2005 so you should already have a copy.)

3. ***ACCT 3563 Supplementary Materials***, School of Accounting, 2006

ACCOUNTING STANDARDS – Most weeks' readings contain references to accounting standards. You are not expected to know all the details of 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. The Alfredson et al text is based on International Financial Reporting Standards (IFRSs). The Deegan text refers to Australian standards (AASBs) which are equivalents of the IFRSs in Australia with some minor adjustments. Your lecturer will indicate if important differences occur between the IFRSs and the AASBs.

7.2 Course Website:

There is a website for this subject on WebCT Vista. The university has recently switched to a new version of WebCT called 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 Programme, 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.

7.3 Other Resources, Support and Information

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

- Learning and study support;
- Counselling support;
- Library training and support services;
- Disability support services;

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

- Examination procedures and advice concerning illness or misadventure;
- Special Consideration including Supplementary Examinations;
- Occupational Health and Safety policies and expectations;

For information and links relating to the above services and policies, please see the Faculty's website.

Additional learning support, tailored to the needs of FCE students, is available from the Education Development Unit (EDU) in the Faculty website. The EDU offers a range of services for FCE students including:

- Academic skills workshops run throughout the session;
- Printed and on-line study skills resources e.g. referencing guide, report writing and exam preparation;

- A drop-in resource centre containing books and audio visual material that can be borrowed;
- A limited consultation service for students with individual or small group learning needs.

More information about the EDU services including on-line resources, workshop details and consultation request forms are available from the EDU website.

Contacts and location:
EDU Web: http://education.fce.unsw.edu.au
EDU Location: Room 2039, Level 2 Quadrangle Building

EDU services are free and confidential and are available to students of the Faculty of Commerce and Economics.

Other 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

7.4 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 Alfredson textbook.

In addition, it is assumed that you have fluency 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 in English in examinations or written assignments.

7.5 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 2005

Elliott and Elliott Financial Accounting and Reporting 9th ed 2005 Prentice-Hall

Sutton Corporate Financial Accounting and Reporting 2nd Edition (2004) Prentice Hall

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 and hedging

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

Henderson, S., G. Peirson and K. Herbohn, Issues in Financial Accounting, 12th ed., Longman, 2006.

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

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, 8th ed., Prentice Hall, 2004.

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 3rd ed. 2003

8. Continual Course Improvement

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/ref4-5-1_catei_process.cfm) 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.

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 2. To take ACCT 3573, you must have received an invitation to enrol from Dr Gerry Gallery in January. Other students with a minimum average mark of 75% in their Accounting subjects may approach Associate Prof. Richard Morris or Dr Elizabeth Carson, the School's Honours Studies Director, for permission to enrol in ACCT 3573.

10. COURSE SCHEDULE - LECTURE TOPICS BY WEEK

	Topics	Reading Materials
Week 1 Richard Morris	**Introduction** • Welcome and course arrangements **Alternative Accounting Theories** • Positive vs normative theories • International financial reporting standards and the Conceptual framework • Positive Accounting Theory (commenced)	*Alfredson, Chapter 2 (this is revision reading from ACCT 2542)* *Deegan chapter 1 pages 32-36;pages 53-57;* *Deegan: Chapter 2, pages 76-103, 118)*
Week 2 Richard Morris	***Alternative Accounting Theories (continued)*** • Agency costs & external financial reporting • The dependence of financial contracting on accounting information • Choice of accounting methods by companies • Critique of positive accounting theory ***Ethics in Accounting*** • Why study ethics in accounting? • Are ethical principals axiomatic? • Teleological vs deontological ethical theories	*Deegan: Ch 2, sections 2.1 – 2.5 (pages 76-101, 118)* *Supplementary materials:* *Henderson & Peirson "Ethics in Accounting" section 31.2 on Normative Ethical Theories only.*
Week 3 Richard Morris	***Ethics in Accounting (continued)*** • Ethics and natural reason – Aristotle's *Nichomachean Ethics* • Courage, Justice and Prudence – key natural virtues • Applications to accounting	*Supplementary materials Readings* *Vardy & Grosch The Puzzle of Ethics ch 3 Aristotle and Virtue Theory* *Extracts from Aristotle's Nicomachean Ethics*
Week 4 Maria Balatbat	**Measurement methods for assets and liabilities** • Present value • Historical cost • Selling price • Fair value • Recoverable amount • Deprival value • Impairment	*Deegan chapter 3, section 3.2 only;* *Alfredson: Chapter 11 sections 11.1-11.3 only* *Supplementary materials readings by:* *Henderson, Peirson, Harris chapter 9, pp188-218;* *Godfrey, Hodgson, Holmes Chapter 15, pp534-551.*
Week 5 Maria Balatbat	***Issues in Income Measurement and Reporting*** • What is income? • Recognition and measurement of Comprehensive Income. • Earnings per share – basic and diluted • The value relevance of earnings • Earnings management and how to detect it	*Deegan Chapters 16 section 16.2 only; Chapter 25* *Supplementary Materials: Readings by:* *Dechow & Schrand; and Revsine, Collins & Johnson*

	Topics	Reading Materials
Week 6 Maria Balatbat	***Accounting for intangibles*** • What are Goodwill and Identifiable Intangible Assets? Are they the same? • Identification, recognition and measurement of IIAs • 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? • Impairment of intangibles especially goodwill	*Alfredson Chapter 9 (sections 9.1-9.4); Chapter 11 (section 11.5 only)* *Deegan Chapter 7*
Week 7 Maria Balatbat	***Accounting for extractive industries & SGARAs*** • The key issue: Accounting for preproduction costs. Alternative methods within the historical cost framework: immediate expensing, expense and reinstate, full cost, successful efforts, area of interest • The development of accounting standards for the extractive industries and the accompanying political pressures • Capital market reaction to attempted abolition of full cost method in USA • Attempts to overcome the deficiencies of historical cost - the alternative of reserve recognition accounting (RRA) in the USA • SGARAs – accounting standard developed in Australia • Comparison – SGARAs and extractive industries	*Deegan Chapter 19, Chapter 8, section 8.2* *Accounting standards: AASB 1022/ AASB 6; AASB 141*
Week 8 Gary Pflugrath ***1 Lecture in Week 8***	***Accounting for financial instruments and foreign currency*** • What is a financial instrument • Categories of financial instruments • Compound financial instruments ▪ Convertible notes ▪ Convertible preference shares • Derivatives – a form of financial instrument	*-Alfredson: chapter 5 (parts 5.1 – 5.3.5, pp. 148-181)* *-Deegan: chapter 14 (parts 14-1 – 14.3, pp. 493-504; and "Compound Instruments", pp. 523-526)* *-Accounting Standards: AASB 139*
Mid-session test in Week 8 covering lecture topics Weeks 1 to 6		

	Topics	Reading Materials
Week 9 Gary Pflugrath	***Accounting for financial instruments and foreign currency (cont'd) - <u>accounting for leases</u>*** • Economic importance of leasing and the types of lease contracts (variations in length, payments, executory costs, ease of cancellation, residual values, bargain purchase options) • Underlying accounting issues. Is a lease an asset/liability of the lessee or of the lessor, and how should the asset/liability be measured? • Finance vs operating leases and the accounting treatments for the lessee and the lessor • Sale-leaseback transactions	*-Deegan: chapter 10* *-Alfredson: chapter 12* *-UIG Interpretation 4 Determining whether an Arrangements contains a Lease (available on AASB's website)* *-Standard: AASB 117*
Week 10 Gary Pflugrath	***Accounting for financial instruments and foreign currency (cont'd) – <u>forex and introduction to hedging</u>*** • Exchange rates: historical rate vs spot rate vs forward rate • Exchange gains and losses from foreign transactions (exchange rate risk) • Measurement principle in AASB 121: all unsettled foreign transactions to be revalued using spot rate at balance date with immediate recognition in P&L of gains/losses • Qualifying assets • Accounting for unhedged foreign currency transactions • Introduction to hedge accounting	*-Alfredson: chapter 5 (parts 5.3.6 – 5.4, pp. 181-190)* *-Deegan: chapter 31 (parts 31.1 – 31.6, pp. 1037-1065)* *-Deegan: chapter 14 ("Derivatives Used Within a Hedging Arrangement", pp. 504-507)* *-Accounting Standards: AASB 139* *-Accounting Standards: AASB 121*
Week 11 Gary Pflugrath	***Accounting for financial instruments and foreign currency (cont'd) – <u>hedging and issues with harmonisation (IAS 39)</u>*** • Hedge accounting continued (forward rate agreements, options, futures) • International harmonisation of IAS 39. The European "carve-out" provisions	*-Deegan: chapter 31 (parts 31.7 onwards, pp. 1065-1070)* *-Deegan: chapter 14 ("Derivatives Used Within a Hedging Arrangement", "Futures Contracts" and "Options", pp. 504-517)* *-Kruger. J., Shaping Hedges, Accountancy Magazine, December 2005, pp. 76-77* *-Accounting Standards Board, Guidance on the Application of IAS 39 by Entities*

		Preparing Their Financial Statements in Accordance with EU-Adopted IFRSs *-Accounting Standards: AASB 139*
Week 12 Shrutika Chugh	***Expanded disclosure regimes*** • Continuous reporting • Triple bottom line reporting	*Deegan: chapter 33* *Supplementary Materials: ASX Continuous Disclosure: Listing Rule 3.1*
Group Assignment due in Week 12		
	Topics	Reading Materials
Week 13 (Richard Morris	***Accounting issues arising from recent corporate failures*** • Corporate collapse and creative accounting • The nature and causes of corporate collapses • Implications and costs of collapses • Contributing accounting factors • The Enron, Worldcom, Parmalat, HIH, OneTel collapses and accounting failures • Regulatory responses to corporate collapses	*Supplementary materials* *Clarke & Dean Collapse Incorporated: Tales, Safeguards & Responsibilities of Corporate Australia 2001 Ch 3* *Dellaportis et al. Ethics, Governance & Accountability: A professional Perspective Wiley 2005, Ch 7 "Creative Accounting"* *Healy & Palepu "The Fall of Enron".*
Week 14 (Richard Morris)	• Some unethical trends in modern business and accounting • Course overview and wrap-up	*Supplementary materials:* *"At the Least, Former Enron Chiefs are Guilty of Moral Bankruptcy"*