

MACQUARIE
UNIVERSITY



FACULTY OF
BUSINESS AND ECONOMICS

ACCG 871

ADVANCED CORPORATE
ACCOUNTING

UNIT OUTLINE

SEMESTER 2, 2009

**MACQUARIE UNIVERSITY
ACCG 871 UNIT OUTLINE**

ABOUT THIS UNIT

This is an advanced unit in financial accounting that deals with accounting for business operations conducted through a corporate group from the perspective of the practitioner.

The main topic of the unit is the techniques of consolidation accounting used to prepare the consolidated financial statements for a corporate group. The unit also considers the compilation of cash flow statements, accounting for income tax, accounting for business combinations, asset impairment, the translation of foreign operations and accounting for associated entities.

ACCG 871 is a 4 credit point unit, which means the workload is very demanding. On average students should devote between 10 to 12 hours of study time per week to the unit.

PREVIOUS STUDIES

From prior studies you should already be proficient at basic company accounting procedures as follows:

- Prepare general journal entries involved in the preparation of company financial statements including sales, cost of sales, cash receipts, cash payments, loans, issue of shares, dividends, transfers to reserves, asset revaluations, acquisition of assets, depreciation, bad and doubtful debts, reversing entries for prepayments and accruals, and closing entries.
- Post general journal entries to ledger or T accounts and produce the trial balance.
- Prepare the income statement and balance sheet of a company from a trial balance.
- Describe the main the elements of the financial statements including revenues, expenses, inventory, property, plant and equipment, receivables, payables, share capital and retained profits.

TEACHING STAFF

The teaching staff member responsible for the delivery and administration of this unit is:

<u>Name</u>	<u>Room</u>	<u>Email</u>	<u>Consultation</u>
Fiona Foster Unit Convenor	Mon 6pm – 9pm (E4B 314) Tues 9am – 12pm (C5A 226)	fionajfoster@optusnet.com.au	Straight after class in the allocated room

Fiona can also be contacted c/- Liz Lee, Building E4A Level 2 on Ph: 9850 9964

TIMETABLE FOR SEMINARS

ACCG 871 requires that students attend a weekly seminar of three hours duration. A short break of 10-15 minutes will usually be taken during the seminar.

Students must attend the following seminar each week:

<u>Day</u>	<u>Time</u>	<u>Room</u>
Monday night	6pm – 9pm	E4B 314
Tuesday day	9am - 12pm	C5A 226

REQUIRED TEXTS AND PRESCRIBED UNIT MATERIALS

In order to complete the seminar work and prepare for the final exam in this unit, you will need to possess a copy of the following textbook:

Alfredson, K. et al (2009), “**Applying International Financial Reporting Standards – 2nd Edition**”, John Wiley & Sons Australia.

The required reading can be purchased from the CO-OP Bookshop on campus.

UNIT WEB PAGE

A web site for ACCG 871 has been created on Macquarie’s on-line teaching facility (Online Learning @ MQ). This site provides students with a facility to download certain course materials. The unit outline and applicable PowerPoint lecture slides for each seminar are available for download. These PowerPoint slides will be referred to during the lectures in ACCG 871 and they should form the basis of chapter summaries that students can use for exam revision. Students should bring their copy of the PowerPoint slides to seminars and add notes to them during the lectures as appropriate.

The web site is <http://learn.mq.edu.au> and students should use their Macquarie Login ID and password to access the site. If students have problems with their username and password, they need to contact the IT helpdesk, <http://www.library.mq.edu.au/help/>

LEARNING OUTCOMES OF THE UNIT

The learning objectives for this unit are set out below. The required readings of each week will provide an additional level of detail about how to achieve the unit learning objectives.

The unit learning objectives should be used throughout the semester to guide you through the lecture material, required readings, seminar questions and to answer any questions you have concerning “what do I need to know for the final exam?”

- a) Demonstrate understanding of the theory and practice of compiling company financial statements including:
 - Describe the presentation and format of the financial statements
 - Derive the statement of cash flows using T account reconstruction. Prepare a reconciliation of operating profit after tax to cash flows from operations.

- b) Demonstrate understanding of the theory and practice of accounting for company income tax including:
 - Determine taxable income and prepare journal entries required for current and deferred tax balances.

- c) Demonstrate understanding of the theory and practice of the recognition and measurement of assets and liabilities including:
 - Prepare journals, including the tax effect, for the initial measurement of the cost of property, plant and equipment and subsequent measurement using fair value basis.
 - Describe the recognition, initial and subsequent measurement of intangibles.

- d) Demonstrate understanding of the theory and practice of accounting for business combinations and impairment of assets in Australia including:
 - Measure the cost of acquisition for a business combination and prepare the journals to allocate this cost to the assets and liabilities of the business acquired
 - Describe and identify a cash generating unit (CGU) for the purposes of impairment testing.
 - Describe the mechanics of impairment testing assets and prepare the necessary journals to account for impairment of assets within a CGU including goodwill, and the subsequent reversal of impairment losses.

- e) Demonstrate understanding of the theory and practice of consolidation accounting in Australia including:
- Describe the use and meaning of important consolidation terminology
 - Describe the inputs, process and outputs of consolidation accounting
 - Perform an acquisition analysis in respect of the acquisition of a subsidiary
 - Prepare the necessary consolidation journal entries to revalue assets to fair value, prepare the pre acquisition entries, to remove the financial effects of intra-economic entity transactions and balances (eg inventory, plant & dividends) and make other adjustments to portray the financial performance and financial position of the economic entity
 - Prepare a consolidation worksheet including the allocation to non controlling interests in order to derive the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position.
- f) Demonstrate understanding of the theory and practice of translating foreign currency financial statements denominated in foreign currency including:
- Describe the use and meaning of important translation terminology
 - Translate the financial statements of a foreign operation into Australian dollars using the appropriate exchange rates
- g) Demonstrate understanding of the theory and practice of accounting for associated entities including the preparation of equity accounting adjustments (one or more years after acquisition) that are necessary for an associate including the recognition of revenue from an associate and dividends paid.

GENERIC SKILLS

In addition to the discipline-based learning objectives, all academic programs at Macquarie seek to develop students' generic skills in a range of areas. Cognitive and behavioural generic skills areas valued by the accounting profession include:

a) Cognitive Skills

Particularly:

- report writing
- computer literacy

b) Analytic/Design Skills

Particularly the ability to:

- identify, find, evaluate, organise and manage information and evidence
- initiate and conduct research
- analyse, reason logically, conceptualise issues
- solve problems and construct arguments
- interpret data and reports
- engage in ethical reasoning

c) Appreciative Skills

Particularly the ability to:

- receive, evaluate and react to new ideas
- adapt and respond positively to challenges
- make judgements derived from one's own value framework
- think and act critically
- know what questions to ask
- engage in lifelong learning
- recognise own strengths and limitations
- appreciate ethical dimensions of situations
- apply disciplinary and multi-disciplinary perspectives
- appreciate processes of professional adaptation and behaviour

TEACHING AND LEARNING STRATEGY

You will only develop as a person who can think like an accountant and act like an accountant from your own experiences of problem solving with particular cases. Advanced corporate accounting is a “doing” subject.

This unit involves one three-hour seminar per week. The unit relies heavily on assignment-based learning and the participation of seminar participants. Each seminar is divided into two parts.

The first part (and the main part) of each seminar involves working through the assignment-based learning materials that have been distributed in the prior week. When working through these materials it is expected that seminar participants will contribute discussion and raise particular issues or problems that they have had with the assignment questions.

The second part of each seminar will comprise a mini-lecture that covers the key concepts of a topic area often using a worked example. The purpose of this mini-lecture is to prepare seminar participants so that they may attempt the relevant assignment questions and problems that have been set for the topic area for the next week.

On average the unit will require students to complete between 10 to 12 hours of private study per week.

Please note that **solutions to the weekly assignment questions will not be made available to students**. Therefore it is imperative that students attend the weekly seminar in order to correct their work. If further assistance with assigned seminar questions is required then you are encouraged to see the lecturer during consultation.

WEEKLY SUMMARY

The first seminar (**Week 1**) covers administration of the unit including distribution of unit materials and undertakes a brief review of extracts of an annual report of a large Australian multinational group.

Week 2 deals with the topic areas of accounting for income tax and the revaluation of property, plant & equipment assets.

Week 3 covers the presentation of statements of cashflow utilising both the direct and indirect methods of preparation.

Week 4 considers a number of related topic areas to introduce the consolidation process including recognition of intangibles, impairment of assets and accounting for business combinations.

Week 5 deals with the main principles of consolidation accounting including the control criterion, the economic entity, the consolidation process, the pre-acquisition entry and the preparation of a consolidation worksheet.

Week 6 covers the elimination of intra-entity transactions within a consolidated group including tax effect entries.

Week 7 considers the advanced consolidation topic of non controlling interests and its impact on the consolidation worksheet and process.

Week 8 continues and completes the topic of non controlling interests and their impact to the consolidated group.

Week 9 covers the more applied issues in consolidation accounting including indirect ownership interests.

Week 10 considers the current issue of sustainability reporting for companies in Australia. A guest lecturer will provide valuable discussion and material on this topic.

Week 11 covers the translation of foreign subsidiaries' financial statements for the purpose of consolidation including the application of functional and presentation currencies.

Week 12 deals with equity accounting for associated entities. The final exam format will also be discussed during this seminar.

RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES

In ACCG 871 you must demonstrate that you have satisfied the learning objectives of the unit.

To demonstrate that your understanding of the unit learning objectives is satisfactory or better you must score a mark of at least 50% in the final exam and the overall assessment.

The final assessment in ACCG 871 is based on raw scores calculated as follows:

	<u>%</u>
Class Presentation	5
Class Quiz	10
Weekly Assignments	10
Research assignment	15
Final exam	<u>60</u>
	<u>100</u>

The class presentations, class quiz, weekly assignments and research assignment provide the means of continuous assessment and continuous learning throughout the semester.

The primary objective of the continuous assessment tasks in ACCG 871 is to make you ready, willing and able to demonstrate your understanding of the learning objectives on the day of the final exam.

CONTINUOUS ASSESSMENT (40%)

a) Class Presentations (5%)

During the semester, you will be required to come to the front of the class and make a short presentation of no more than five minutes on one of the discussion questions set down for the week. These questions will be allocated in the week prior to the presentation day. Your presentation is worth 5% of the overall assessment and your mark will be based on the technical content and the oral presentation of the question.

Some tips on how to deliver a good presentation are:

- ❖ Speak to time – you will be cut off at 5 minutes.
- ❖ DO NOT READ OUT A SCRIPT. This will result in a very low grade for this part of the assessment.
- ❖ Use clear and simple overheads. Do not try and put too much material on a single slide.
- ❖ Use diagrams wherever possible. A picture tells a thousand words!!
- ❖ Use current examples where possible. Relate the solution to material covered in the unit.
- ❖ Tell the audience why they should listen to your presentation. Why is what you have to say important?
- ❖ Pace your presentation, don't rush your speech, and pause for effect before or after a major point
- ❖ Maintain eye contact with your audience
- ❖ Be enthusiastic
- ❖ Be creative – is there a better way to present the information? Is there an activity that the audience could do or could they participate in some way?
- ❖ Most important . . . have fun! The difference between a good presentation and a great presentation is a presenter who is enjoying themselves.

b) Class Quiz (10%)

The quiz will be held at the beginning of class in week 5. The aim of this quiz is to provide you with on-going feedback relating to your understanding and learning progress within the course. The quiz is worth 10% of the overall assessment. Students who do not attend the Week 5 quiz will not be offered a supplementary quiz and will therefore score zero for that component of the assessment. More information regarding the quiz will be provided closer to the quiz date.

c) Weekly assignments (10%)

Independent work on assignment exercises and problems is fundamental to satisfying the learning objectives of this unit.

You are not expected to always have the right answers from your independent work but you are expected to make a significant attempt to assignment questions before each seminar. It is expected that, in addition to attendance at the weekly seminars, you will need to spend at least ten hours per week working on assignments and preparing for the next seminar.

Seminar participants will normally be expected to submit their answers to assignment questions during the seminar. While weekly assignment work is only worth 10% of the overall assessment, **there is a significant correlation between quality weekly assignment work and a passing grade in the final exam!**

You are encouraged to complete assignment work using computer packages for word-processing and spreadsheets whenever possible.

Marks will be awarded for each assignment where a bona fide attempt has been made to complete all the seminar work that has been set. In this case, the assignment will be labelled "S" for satisfactory. In the alternative, the assignment will be labelled "I" for incomplete.

It is expected that the written work you submit for the weekly assignments will largely be completed before the seminar rather than during the seminar. **If it is noticed that an assignment is being prepared during the seminar then "I" will be awarded to the assignment.**

On the front page of each weekly assignment that you submit please include the following:

- your student name
- your student id

Any students found submitting identical seminar assignments or submitting solutions copied from past Accg 871 students/ textbook solutions, invite a full investigation by the Faculty of Business and Economics and disciplinary action. Students must also ensure that they do not inadvertently plagiarise material from textbooks or other readings. Anyone found blatantly copying from the textbook without due acknowledgment can expect to be awarded nil marks for the relevant submitted work. Plagiarism is discussed in more detail below.

d) Research assignment (15%)

With Australian companies and other entities experiencing difficult and uncertain economic conditions, some of the most significant impacts are in the area of financial reporting - in particular, directors' assessment of their company's ability to continue as a 'going concern'.

With this in mind, the Australian Institute of Company Directors (AICD) and the Auditing and Assurance Standards Board (AUASB) have issued a publication in June 2009 "*Going Concern issues in financial reporting: a guide for companies and directors*", which explains the concept of going concern and assists company directors in performing and reporting on their going concern assessment.

In **groups**, you are required to submit a report to answer the following:

- a) **What is meant by the term 'going concern' and why is it an important concept for company directors'?**
- b) **Provide a summary of the key statutory requirements directors' must comply with surrounding going concern (include reference to ASX Listing Rules, Corporations Act and Australian Accounting Standards).**
- c) **Provide examples of company events/conditions that may cast significant doubt on the appropriateness of the going concern assumption.**
- d) **If a company was deemed to have going concern issues, which key stakeholders would be impacted and why?**

Maximum length limit of 5 pages will be strictly enforced. Text should be 12 font with 1.5 spacing. Appendices and bibliography are not included in the length limit.

This assignment will be **due on Monday October 5th or Tuesday October 6th** during normal class time. Assignments not received at this time will result in a zero grading for that component of the overall assessment.

This assignment should be prepared using computer packages eg Microsoft word and is worth 15% of the overall assessment.

FINAL EXAM (60%)

The final written exam will be held on **Monday 9th November** commencing at **6pm in E4B 314** or **Tuesday 10th November** commencing at **9am in C5A 226**. Students will be required to sit the exam on the day which corresponds to their normal class time, unless a change is approved by the Lecturer in Charge.

The final exam will be of three hours duration and will cover all material from weeks 1 to 12. You will be given further information regarding the final exam during the final seminar of the semester.

Recall that, at a minimum, you must pass the final exam to achieve a passing grade in the unit.

You are advised that it is Macquarie University policy not to set early examinations for individuals or groups of students. All students are expected to ensure that they are available until the end of the teaching semester, that is the final day of the official examination period, and can attend the exam at the designated time and place.

The final exam of ACCG 871 is designed to test you against the learning objectives of the unit. Past exam papers in ACCG 871 are not made available because the emphasis and the unit material changes from year to year.

Dictionaries are not permitted in the final exam although a calculator (with no text capabilities) will be required for the final exam. Students are also prohibited from bringing any pre-prepared notes or other examples of their writing into the final exam.

Further details regarding the final exam will be provided to you during the final seminar. In the meantime you should be aware that the best preparation for the final exam is as follows:

- ❖ Attend seminars and work through the assignment material.
- ❖ Complete the required readings from the textbooks each week.
- ❖ Complete independent solutions to seminar work set - treat the questions as preparation for the theory component of the final exam and the exercises and problems as preparation for the practical component.
- ❖ Use the consulting times of staff involved in the teaching of the unit when you need extra help.

SPECIAL CONSIDERATION AND SUPPLEMENTARY EXAMS

The only exception to not sitting an examination at the designated time is because of documented illness or unavoidable disruption. In these circumstances you may wish to consider applying for Special Consideration. Information about unavoidable disruption and the special consideration process is available at:

<http://www.reg.mq.edu.au/Forms/APSCon.pdf>

Special consideration will only be granted where the student's within-semester coursework has been satisfactory.

If a Supplementary Examination is granted as a result of the Special Consideration process the examination will be scheduled after the conclusion of the official examination period.

Any student who attends the original examination and subsequently applies for special consideration may be required to sit a supplementary examination except where their performance in the original exam was equivalent to the HD grade. If a supplementary examination is needed, then only the student's performance in the special examination will be used for the purpose of the examination weight in the unit assessment. Note however that special consideration will rarely be given where the student has sat the final exam.

PLAGIARISM

The University defines plagiarism in its rules: "Plagiarism involves using the work of another person and presenting it as one's own." Plagiarism is a serious breach of the University's rules and carries significant penalties. You must read the University's practices and procedures on plagiarism. These can be found in the *Handbook of Postgraduate Studies* or on the web at: <http://www.student.mq.edu.au/plagiarism>

The policies and procedures explain what plagiarism is, how to avoid it, the procedures that will be taken in cases of suspected plagiarism, and the penalties if you are found guilty. Penalties may include a deduction of marks, failure in the unit, and/or referral to the University Discipline Committee.

UNIVERSITY POLICY ON GRADING

Academic Senate has a set of guidelines on the distribution of grades across the range from fail to high distinction. Your final result will include one of these grades plus a standardised numerical grade (SNG).

On occasion your raw mark for a unit (i.e., the total of your marks for each assessment item) may not be the same as the SNG which you receive. Under the Senate guidelines, results may be scaled to ensure that there is a degree of comparability across the university, so that units with the same past performances of their students should achieve similar results.

It is important that you realise that the policy does not require that a minimum or maximum number of students are to be failed in any unit.

The process of scaling does not change student rankings. A student who receives a higher raw mark than another will also receive a higher final scaled mark. For an detailed explanation of the policy see

<http://www.mq.edu.au/senate/MQUonly/Issues/Guidelines2003.doc> or
<http://www.mq.edu.au/senate/MQUonly/Issues/detailedguidelines.doc>.

ACCG 871 GRADES

Recall that you must obtain 50% or more in the final exam and the overall assessment to achieve a P grade or better.

Students who score 44% or less in the final exam will be awarded an F grade. Students who score 45%-49% in the final exam will be awarded a PC grade.

**MACQUARIE UNIVERSITY
ACCG 871 UNIT OUTLINE**

More detail on the grading descriptions is set out below.

Grade	SNG	Description
HD High Distinction	85-100	Denotes performance which meets all unit objectives in such an exceptional way and with such marked excellence that it deserves the highest level of recognition
D Distinction	75-84	Denotes performance which clearly deserves a very high level of recognition as an excellent achievement in the unit
CR Credit	65-74	Denotes performance which is substantially better than would normally be expected of competent students in the unit
P Pass	50-64	Denotes performance which satisfies unit objectives
PC Conceded Pass	45-49	Denotes performance which meets unit objectives only marginally
S Satisfactory	N/A	Denotes performance which satisfies unit objectives in a unit which grades only Pass/Fail
F Fail	0-44	Denotes that a candidate has failed to complete a unit satisfactorily
FA Fail Absent	0-44	Denotes that a candidate has failed to complete a unit satisfactorily and was absent from a compulsory final examination

STUDENT SUPPORT SERVICES

Macquarie University provides a range of Academic Student Support Services. Details of these services can be accessed at <http://www.student.mq.edu.au>.

LECTURE SUMMARY

<u>Week</u>	<u>Date</u>	<u>Seminar Topic</u>
1	August 3/4	Introduction and overview of the unit
2	August 10/11	Income Taxes/ Property, Plant & Equipment
3	August 17/18	Statement of Cash Flows
4	August 24/25	Intangibles / Impairment / Business Combinations
5	August 31 / September 1	Consolidation – Consolidation Method & Wholly Owned subsidiaries. Class quiz.
6	September 7/8	Consolidation – Intragroup transactions.
7	September 14/15	Consolidation – Non Controlling Interests (Part 1)
	September 21/22	Recess - private study
	September 28/29	Recess - private study
8	October 5/6	Consolidation – Non Controlling Interests (Part 2) Research Assignment due.
9	October 12/13	Consolidation – Indirect Ownership Interests.
10	October 19/20	Sustainability Reporting
11	October 26/27	Foreign subsidiaries
12	November 2 / 3	Accounting for Investments in Associates / Final Exam Discussion
13	November 9/10	FINAL WRITTEN EXAM