



ACCG 871

ADVANCED CORPORATE
ACCOUNTING

UNIT OUTLINE

SEMESTER 2, 2010

**MACQUARIE UNIVERSITY
FACULTY OF BUSINESS AND ECONOMICS
UNIT OUTLINE**

Year and Semester: Semester 2, 2010

Unit convenor: Fiona Foster

[Prerequisites / Corequisites:] Undergraduate accounting degree

Credit points: Four (4)

Students in this unit should read this unit outline carefully at the start of semester. It contains important information about the unit. If anything in it is unclear, please consult the unit convenor.

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, accounting for associated entities and sustainability accounting.

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 etc
- Post general journal entries to ledger or T accounts and produce the trial balance and financial statements.
- Describe the main the elements of the financial statements including revenues, expenses, inventory, property, plant and equipment, receivables, payables, share capital and retained profits.

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TEACHING STAFF / CONSULTATION

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

Students experiencing significant difficulties with any topic in the unit must seek assistance immediately.

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

CLASSES

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

The timetable for classes can be found on the University website at <http://www.timetables.mq.edu.au/>

REQUIRED AND RECOMMENDED TEXTS AND/OR 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. This text is also available in the Macquarie Library.

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UNIT WEB PAGE / TECHNOLOGY REQUIRED

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 as well as other course documents. The 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?"

- 1) 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.

- 2) 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.

- 3) 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.

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- 4) 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.

- 5) 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.

- 6) 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

- 7) 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.

- 8) Demonstrate an understanding of current issues impacting corporate accounting, including sustainability accounting.

GRADUATE CAPABILITIES

In addition to the discipline-based learning objectives, all academic programs at Macquarie seek to develop the capabilities the University's graduates will need to develop to address the challenges, and to be effective, engaged participants in their world. The unit contributes to this by developing the following graduate capabilities:

- 1) Discipline Specific Knowledge and Skills
 - a. Identifies and is able to discuss key accounting issues and
 - b. Applies accounting knowledge to practical solutions and
 - c. Learns independently and assume responsibility for the learning process and
 - d. Cooperates with team members, assumes leadership and manages differences.
- 2) Critical, Analytical and Integrative Thinking
 - a. Identifies and analyses quantitative and qualitative data and
 - b. Determines relevant information for decision making.
- 3) Problem Solving and Research Capability
 - a. Uses theoretical and practical based knowledge to diagnose and solve problems and evaluate ideas and information and
 - b. Undertakes research to write a report, present, discuss and defend views.
- 4) Effective Communication
 - a. Effectively communicates both orally using visual communication and in writing and
 - b. Demonstrates effective communication in a group situation.
- 5) Engaged Ethical Local and Global citizens
 - a. Demonstrates an awareness of the regulatory framework and
 - b. Demonstrates awareness of social, ethical and sustainability issues affecting accounting and the role of accountants and
 - c. Demonstrates respect and be open minded to the ideas of peers from different cultural backgrounds.
- 6) Capable of Professional and Personal Judgement and Initiative
 - a. Judges which accounting method is most applicable and
 - b. Recognises the limits of own knowledge and skill, seeking appropriate and timely assistance.

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 of associated entities for both parent and non parent entities.

Week 13 provides an opportunity for course review and the final exam format will also be discussed during this seminar.

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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 the following:

Assessment Task	Weighting	Learning Outcomes Assessed	Graduate Capabilities Assessed	Length	Due Date
Class Presentation	5%	1, 2, 3, 4, 5, 6, 7	1a, 4a	Maximum 5 minutes	TBA
Class Quiz	10%	1, 2, 3, 4	1b,1c, 2a	20 minutes	Week 5 Seminar
Weekly Assignments	10%	1, 2, 3, 4, 5, 6, 7, 8	1b,1c,2a,3a,6	Completion of all set questions	Reviewed each Seminar
Group Research Assignment	15%	8	1d,3b,4b,5a,c	Maximum 5 pages	Week 8 Seminar
Final Examination	60%	1, 2, 3, 4, 5, 6, 7, 8	1b,1c,2a,5b,6	3 hours	TBA

The class presentations, class quiz, weekly assignments and research assignment provide the means of continuous assessment and continuous learning throughout the semester. Further detail on these assessment tasks is provided on the pages following.

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.

Class Presentation (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.

Class Quiz (10%)

There will be a low risk diagnostic quiz in a multiple choice format, 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. Students who fail the quiz will need to report to the lecturer to discuss remedial study plans. More information regarding the quiz will be provided closer to the quiz date.

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. Academic honesty is discussed in more detail below.

Research assignment (15%)

On 27th May 2010 the IASB published an exposure draft “*Presentation of Items of Other Comprehensive Income – Proposed Amendments to IAS 1*”, which contains amended proposals on the presentation of items of Other Comprehensive Income (OCI) in financial statements. The proposals were developed jointly with the US FASB and the exposure draft is open for public comment until 30 September 2010.

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

- a) **What are the current requirements under IAS 1 for presentation of items of income and expense?**
- b) **What are the key proposed changes to how an entity presents and classifies items within OCI, and why does the IASB believe these changes are required?**
- c) **Discuss the positive and negative implications these changes pose, to current IAS 1 “Presentation of Financial Statements” requirements?**

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 4th or Tuesday October 5th** 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 exam for this unit will be of three hours duration held during the University Examination period, 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.

The University Examination period in Second Half Year 2010 is from 17th November – 3rd December.

You are expected to present yourself for examination at the time and place designated in the University Examination Timetable. The timetable will be available in Draft form approximately eight weeks before the commencement of the examinations and in Final form approximately four weeks before the commencement of the examinations.

<http://www.timetables.mq.edu.au/exam>

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.mq.edu.au/Forms/policy/docs/special_consideration/policy.html

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.

The Macquarie university examination policy details the principles and conduct of examinations at the University. The policy is available at:

<http://www.mq.edu.au/policy/docs/examination/policy.html>

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.

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ACADEMIC HONESTY

The nature of the scholarly endeavour, dependent as it is on the work of others, binds all members of the University community to abide by the principles of academic honesty. Its fundamental principle is that all staff and students act with integrity in the creation, development, application and use of ideas and information. This means that:

- All academic work claimed as original is the work of the author making the claim
- All academic collaborations are acknowledged
- Academic work is not falsified in any way
- When the ideas of others are used, these ideas are acknowledged appropriately.

Further information on the academic policy can be found in the Macquarie University Academic Honesty Policy at:

http://www.mq.edu.au/policy/docs/academic_honesty/policy.html

GRADES

Please refer to relevant pages in the Handbook of Postgraduate Studies.

SPECIAL CONSIDERATION

The University is committed to equity and fairness in all aspects of its learning and teaching. In stating this commitment, the University recognises that there may be circumstances where a student is prevented by unavoidable disruption from performing in accordance with their ability. A special consideration policy exists to support students who experience serious and unavoidable disruption such that they do not reach their usual demonstrated performance level. The policy is available at:

http://www.mq.edu.au/policy/docs/special_consideration/procedure.html

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>.

IT CONDITIONS OF USE

Access to all student computing facilities within the Faculty of Business and Economics is restricted to authorised coursework for approved units. At all times, student ID cards must be displayed in the locations provided.

Students are expected to act responsibly at all times when utilising University IT facilities. The following regulations apply to the use of computer labs and online services:

- Accessing inappropriate web sites, or downloading inappropriate material, are not permitted, material that is not related to coursework in units authorised to use these facilities is deemed inappropriate.
- Downloading copyright material without permission from the copyright owner is illegal, and strictly prohibited. Students detected undertaking such activities will face disciplinary action, which may possibly result in criminal proceedings.

Non-compliance with these conditions may result in disciplinary action without further notice.

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SEMINAR SUMMARY

<u>Week</u>	<u>Date</u>	<u>Seminar Topic</u>
1	August 2 / 3	Introduction and overview of the unit
2	August 9 / 10	Income Taxes/ Property, Plant & Equipment
3	August 16 / 17	Statement of Cash Flows
4	August 23 / 24	Intangibles / Impairment / Business Combinations
5	August 30 / 31	Consolidation – Consolidation Method & Wholly Owned subsidiaries. Class quiz.
6	September 6 / 7	Consolidation – Intragroup transactions.
7	September 13 / 14	Consolidation – Non Controlling Interests (Part 1)
	September 20 / 21	Recess - private study
	September 27 / 28	Recess - private study
8	October 4 / 5	Consolidation – Non Controlling Interests (Part 2) Research Assignment due.
9	October 11 / 12	Consolidation – Indirect Ownership Interests.
10	October 18 / 19	Sustainability Reporting
11	October 25 / 26	Foreign subsidiaries
12	November 1 / 2	Accounting for Investments in Associates
13	November 8 / 9	Course Review / Final Exam Discussion