



DEPARTMENT OF ACCOUNTING AND FINANCE
ACCG323 FINANCIAL ACCOUNTING THEORY AND PRACTICE
UNIT OUTLINE 2003

I. UNIT CONTENT

This unit is a combination of both financial accounting theory and practice at an advanced level. The objectives of the unit are for students to develop both their technical accounting skills through an understanding of selected accounting standards, and their ability to critically evaluate financial accounting information and standards through an understanding of the different theoretical and philosophical approaches to accounting. This unit also allows students to develop their generic skills, particularly their analytical, appreciative, routine and interpersonal skills. The unit requires students to read a series of papers/articles, prepare reports or critiques of those papers and present their ideas in both written and oral forms in class. This requirement provides students with the opportunity to develop their ability to analyse, reason logically, conceptualise and construct arguments (analytic skills), to think and act critically (appreciative skills), to write reports (routine skills) and to present, discuss and defend views (interpersonal skills). The reports/critiques are part of the formal progressive assessment of the unit, and assessment is based on both the technical content and generic skill demonstration.

The unit begins in week 1 with an introduction to the unit and a consideration of the nature of theory, i.e what is theory and why is theory useful? Approaches to theory construction will be outlined, and consideration will be given to the scientific method as a basis for obtaining a greater understanding of accounting practice, and its role in society. In week 2, we examine Normative Accounting Theory and The Australian Conceptual Framework to accounting standard setting. The essential elements of our Conceptual Framework are considered, together with a number of examples that demonstrate how these elements can be used in practice. An historical overview of accounting theory is provided, with particular emphasis on the limitations of the existing historical cost system. We then evaluate normative accounting theory, and outlines of alternative accounting systems such as Current Purchasing Power, Current Cost Accounting and Continuously Contemporary Accounting will be given.

In week 3 we examine positive accounting theory with the primary focus being on agency theory and the principal-agent relationship, and how accounting numbers affect both debt and equity contracts, as well as the politics of accounting standard setting. In week 4 we will explore the international dimensions of financial accounting with particular reference to the benefits of harmonisation of accounting standards and the difficulties that are associated with the concept of “international accounting standards”.

In week 5 students will study financial reporting in the public sector. Specific issues associated with government trading enterprises, government departments and whole of government operations will be examined. Emphasis will be placed on accrual accounting and measurement and reporting of public sector assets. In week 6, we will cover accounting in a social, political and environmental context. Emphasis will be placed on social and environmental accounting and the critical

perspectives in the accounting literature such as a political economy of accounting. An overview will also be provided on gender based issues in the accounting profession.

In week 7, students will learn how to account for employee benefits such as annual leave, sick leave, and long service leave, as well as disclosures associated with related parties. In week 8, we examine how to account for financial instruments such as convertible notes, futures contracts and interest rate swaps, and in particular the aspects of measurement used in the reporting of financial instruments.

In week 9 we cover ethics in accounting, and examine current ethical frameworks for decision-making, and some of the different ways ethics in accounting can be compromised. The lecture will help prepare students for writing their ethics assignment.

In week 10 we evaluate the technical requirements for expenditure carried forward with respect to both exploration and development, and research and development, whilst in week 11 we examine accounting for both finance and operating leases.

In week 12, we examine the technical requirements of Financial Reporting by Superannuation Funds and General Insurance Activities that involve the use of values other than historic cost. The final lecture will involve a presentation by an external guest lecturer, and a brief revision and exam overview will be given.

II. UNIT STRUCTURE

The structure of the unit is a weekly two hour lecture and a weekly two hour small group tutorial. The unit relies heavily on assignment-based learning. In lectures, students are expected to grasp the main concepts and techniques that relate to the subject matter. In addition to the lecture materials it is expected that students will read specified references. Using the concepts and techniques presented in lectures or references, students are required to prepare solutions to weekly assignments.

Lecture material for each week will not be distributed in class but will be available online via the reserve unit folder in the library (at the web address listed below) or in ERIC, in the week before the lecture. It is the student's responsibility to obtain a copy of the lecture notes before class, in order to make the appropriate notes during lectures. The solutions to weekly assignment questions will be discussed in tutorials in the week following the designated lecture. It is expected that tutors will lead and manage the discussion of assignment questions and that students will actively participate in the tutorial setting. The tutorials should be viewed by students as an active forum for any problems or difficulties that they are experiencing with the subject matter. In addition to the lecture notes, at the end of each week of tutorials, copies of the solutions to practical accounting problems only from that tutorial will be placed:

- (1) in the EFS Resource and Information Centre (ERIC): and
- (2) on the Macquarie University Library ACCG323 reserve unit folder webpage at <http://www.lib.mq.edu.au/resources/reserve/>

For theory questions, students are expected to have obtained a good summary of the main issues from their own study and from the tutorial discussion.

Students who wish to complete additional exercises from the textbooks may attempt these questions and then visit lecturers and tutors during consultation hours to obtain access to (but not photocopy) the solutions.

An important objective of the unit is the development of the written and verbal communication skills of students, in line with the generic skills requirements set out by the university, which are outlined on p.111 of the 2003 Handbook of Undergraduate Studies. For this purpose the unit contains an assessed multi-choice tests, (see III below), an assessed tutorial assignment, (see IV below) an assessed tutorial presentation (see V below) and an assessed ethics assignment (see VI below).

III. MULTI-CHOICE TEST'S

Each week there will be a short multi-choice test containing 10 questions that are to be completed at the end of each tutorial. The total assessment for the best 10 of the 12 tests will be 15% (1.5% each week) of the overall unit assessment. It is only possible to sit for these tests in your designated tutorial. If you do not attend, the test marks for that week are automatically forfeited. The test questions will be based on material learnt throughout the lecture and through the designated readings each week. The tests are to be undertaken closed book, with the exception of the Accounting Handbook, which you can use. Tutors will collect the tutorial tests at the end of the tutorial, and students will mark them at the beginning of the next tutorial and then receive them back.

IV. TUTORIAL ASSIGNMENTS

During the semester tutors will collect your written assignments each week for the purpose of assessing whether or not you are making sufficient effort on the weekly assignments. This part of the assessment is worth 10%. Given that there are 12 tutorials, your best 10 will constitute the assessment. You will be graded either an "S" (satisfactory) which constitutes 1 mark or "U" (unsatisfactory) which constitutes 0 marks.

Once again it is only possible to submit your assignments in your designated tutorial. If you do not attend, the assignment marks for that week are automatically forfeited. No extensions will be granted by tutors for submitting the assignment late. Students absent from tutorials for medical reasons will be noted, and taken into account when determining your tutorial mark when appropriate medical evidence is produced.

Assignments may be checked for "copying" (within tutorials and across tutorials) and guilty parties (being the person/s who copied and the person/s who allowed the copying) will be subject to a detailed investigation by the Division. A reminder regarding plagiarism is attached as Appendix 1.

V. TUTORIAL PRESENTATION

The unit also contains an assessed tutorial presentation worth 5% of the overall assessment (presentation to be marked out of 10). Each student is required to prepare a 5 minute (absolute maximum) presentation on an article or publication of interest to financial accountants, and the week of your presentation are to be organised by your tutor. Once again it is only possible to

present your tutorial presentation in your designated tutorial. If you do not attend, the tutorial presentation mark for your designated week is automatically forfeited. The following list is provided as a guide on what to present:

- An article that has appeared in the journals of the Australian professional accounting bodies during the past 12 months, i.e, *Charter* or *Australian CPA* (available from the Library);
- An article that has appeared in an academic Australian accounting journal during the past 12 months, i.e., *Australian Accounting Review*, *Accounting and Finance*, *Abacus*, *Accounting Forum* or *Accounting Research Journal* (only the first three journals are available from the Library);
- An accounting based newspaper article located within either *The Australian Financial Review* or *The Australian* (the leading financial press) over the last 12 months.

Your audience may not be very familiar with the article or publication you have read. You are asked to take a “big picture” approach and present a simple overview of the main issues canvassed by the article. Do not simply read your written answer. Try to make it reasonably simple and interesting for your audience. It is expected that there will be 2 or 3 presentations in each tutorial with discretion left to tutors regarding the order of presentations. Notes or cards may be used during the presentation and the use of overheads is encouraged. Students are reminded that simply reading from pages of writing will result in nil marks.

According to Malouf (1990) there are ten major mistakes that speakers make when delivering¹. When delivering your presentation try not to fall into any of these mistakes:

- Failing to speak to time
- The material is not suited to the audience
- Information overload
- The material is too technical
- Poor preparation
- Failure to practice speech
- Distracting visuals/verbals/vocals
- Inappropriate pace
- Lack of eye contact
- Lack of enthusiasm

At the conclusion of all presentations students will receive an evaluation form from their tutors of their presentation providing feedback across a range of criteria and a mark out of 10. A copy of the presentation feedback form is attached at Appendix 2.

¹ Malouf, D. (1990) How to Create and Deliver a Dynamic Presentation. Simon & Schuster Australia.

VI. ETHICS CASE STUDY ASSIGNMENT

The unit contains an ethics case study assignment worth 15% of the overall assessment. The ethical case study will be distributed in the lecture prior to the mid-term break.

The assignment must not exceed 2,000 words in length. The assignment must be word-processed, double spaced, on one side only of A4 paper, and properly referenced including a bibliography. It is expected that assignments will be completed over the vacation period 27th September to 12th October. In the lecture week prior to the mid-term break, students will be provided with a framework for evaluating ethics. The ethical case study assignment is due for submission **without exception on or before 6pm Monday 13th October** and should be placed in a marked box inside ERIC. You must attach a cover sheet with your assignment, which is located at Appendix 3. A deduction of 25% on the total assignment mark will be imposed each day for late submission. Assignments will be marked out of 15, and guidance to the answer will be provided at the time of feedback.

It is expected that students will be aware of the appropriate standard for assignment writing at university (including how to reference the work of other authors). Without exception any evidence of plagiarism discovered in submitted assignments will result in a detailed investigation by the Division. A reminder regarding plagiarism is attached as Appendix 1 to this handout.

VII. UNIT ASSESSMENT

The following weightings apply for unit assessment:

	%
Multi-Choice Tests	15
Tutorial Assignments	10
Tutorial Presentation	5
Ethics Assignment	15
Final Examination	<u>55</u>
	<u>100</u>

Irrespective of accumulated marks, students must pass the final examination to gain a passing grade in this unit. Furthermore, irrespective of the total exam score, students must achieve satisfactory marks for each of the theoretical and the practical components of the final exam to pass the unit. The best preparation for the final exam is completion of the weekly tutorial assignments and the discussion of assignment questions in the tutorials. In adhering to divisional policy, dictionaries will not be allowed into the final exam. Marks will be awarded according to the following grading system;

Grade	High Distinction (HD)	Distinction (D)	Credit (Cr)	Pass (P)	Conceded Pass (PC)	Fail (F)
%	85-100	75-84	65-74	50-64	45-49	0-44

High Distinction: 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.

Distinction: denotes performance which clearly deserves a very high level of recognition as an excellent achievement in the unit.

Credit: denotes performance which is substantially better than would normally be expected of competent students in the unit.

Pass: denotes performance which satisfies unit objectives.

Conceded Pass: denotes performance which meets unit objectives only marginally.

Fail: denotes that a candidate has failed to complete a unit satisfactorily.

VIII. REQUIRED READINGS

Students must have a copy of the following books (all available in the bookshop). Both Deegan texts, along with the MaxMark Online Study Guide to accompany Deegan (three items), can be purchased as a package at \$137.45. After an 8% GST rebate (\$11) and an 8% coop discount (\$10.10), the price you should pay is approx \$116.35.

- *Accounting Handbook 2003* - Volume 1, Sydney, Australia: Prentice Hall, 2003, with accompanying CD-ROM.
- Deegan, C., *Australian Financial Accounting*, Third Edition, McGraw-Hill, 2002.
Book Website: <http://www.mcgraw-hill.com.au/mhhe/acc/deeganfa/homepage.htm>
- Deegan, C., *Financial Accounting Theory*, First Edition, McGraw-Hill, 2000.
Book Website: <http://www.mcgraw-hill.com.au/mhhe/acc/deegan3e/homepage.htm>
- Macquarie University, *Booklet of Readings in ACCG323*, 2003.
- MaxMark Online Study Guide, McGraw-Hill, 2002.

In addition, students should regularly read the financial press, in particular *The Australian Financial Review*, as the subject matter of this unit often comes up in topical business settings.

IX. STAFF

The full-time staff teaching on the unit is as follows:

<u>Name</u>	<u>Location</u>	<u>Contact No.</u>	<u>Role</u>
Lorne Cummings	C5C 428	9850-8531	Lecturer-in-charge and Tutor
Elaine Evans	C5C 403	9850-6477	Lecturer and Tutor
James Hazelton	C5C 444	9850-8486	Lecturer and Tutor
Indra Abeysekera	TBA	TBA	Unit Administrator and Tutor
Stephen Haswell	C5C 461	9850-8542	Tutor
Philip Sinnadurai	C5C 427	9850-7101	Tutor

Tutorial lists will be placed on the notice board outside ERIC and on the Macquarie University Library ACCG323 reserve unit folder webpage at <http://www.lib.mq.edu.au/resources/reserve/> on Friday August 2nd, with tutorials beginning in the second week. Students who need to change tutorials should preferably see in person, or if not, email Indra Abeysekera on address: (iabeysek@efs.mq.edu.au) explaining the reason(s) for requesting a change as soon as possible. No tutorial changes will be allowed after the end of the second week. Any student experiencing problems of one sort or another may discuss the matter with their tutor or with the lecturer-in-charge.

All full time staff teaching on the unit are available for individual consultation with students for a designated 4 hours per week. A timetable of when these staff are available will be posted on the notice boards outside staff offices and on the reserve unit folder webpage via the library.

X. SUMMARY OF ACCG323 PROGRAM 2003

<u>WEEK</u>	<u>DATES</u>	<u>LECTURE TOPIC</u>	<u>LECTURER</u>
1	28 July	Overview of Accounting Theory (<i>No tute week 1</i>)	L. Cummings
2	4 Aug.	Normative Accounting Theory and The Conceptual Framework	E. Evans
3	11 Aug.	Positive Accounting Theory	L. Cummings
4	18 Aug.	International Dimensions of Financial Accounting	E. Evans
5	25 Aug.	Financial Reporting in the Public Sector	E. Evans
6	1 Sept.	Accounting in a Social, Political and Environmental Context	L. Cummings
7	8 Sept.	Accounting for Employee Benefits and Related Party Disclosures	L. Cummings
8	15 Sept.	Accounting for Financial Instruments	L. Cummings
9	22 Sept.	Ethics in Accounting	L. Cummings
27 Sept. to 12 Oct. MID-SEMESTER RECESS (2 Weeks)			
10	13 Oct.	Accounting for Expenditure Carried Forward	J. Hazelton
11	20 Oct.	Accounting for Leases	J. Hazelton
12	27 Oct.	Accounting for Superannuation Plans and Reporting of General Insurance Activities	I. Abeysekera
13	3 Nov.	Guest Lecturer and Revision	L. Cummings

DUE WEEK 2 OVERVIEW OF ACCOUNTING THEORY

Readings

- a) Deegan, C., “Introduction to Financial Accounting Theory”, Chapter 1 in *Financial Accounting Theory*, First Edition, McGraw-Hill, 2000.
- b) Deegan, C., “Theories of Financial Accounting”, Chapter 2 in *Australian Financial Accounting*, Third Edition, McGraw-Hill, 2002, p.91.

Assignment Questions Due for Submission

- 1. Deegan (Financial Accounting Theory) – Ch. 1 – Question 1.3 (p.24)
- 2. Deegan (Financial Accounting Theory) – Ch. 1 – Question 1.4 (p.24)
- 3. Deegan (Financial Accounting Theory) – Ch. 1 – Question 1.5 (p.24)
- 4. Deegan (Financial Accounting Theory) – Ch. 1 – Question 1.6 (p.25)
- 5. Deegan (Financial Accounting Theory) – Ch. 1 – Question 1.7 (p.25)
- 6. Deegan (Financial Accounting Theory) – Ch. 1 – Question 1.10 (p.25)
- 7. Deegan (Financial Accounting Theory) – Ch. 1 – Question 1.12 (p.26)
- 8. Deegan (Financial Accounting Theory) – Ch. 1 – Question 1.14 (p.26)
- 9. Deegan (Financial Accounting Theory) – Ch. 1 – Question 1.16 (p.26)
- 10. Do you expect that we will ever have a single universally accepted theory of accounting, and if not, why not?

DUE WEEK 3

NORMATIVE ACCOUNTING THEORY AND THE AUSTRALIAN CONCEPTUAL FRAMEWORK

Readings

- a) Conceptual Framework – Accounting, SACs 1 through to 4, *Accounting Handbook 2003*, Prentice Hall, 2003, pp.1-95.
- b) Deegan, C., “Normative Theories of Accounting – the case of accounting for changing prices”, Chapter 4 in *Financial Accounting Theory*, First Edition, McGraw-Hill, 2000.
- c) Deegan, C., “Normative Theories of Accounting – the case of conceptual framework projects”, Chapter 5 in *Financial Accounting Theory*, First Edition, McGraw-Hill, 2000.
- d) Deegan, C., “An Overview of the Australian External Reporting Environment”, Chapter 1 in *Australian Financial Accounting*, Third Edition, McGraw-Hill, 2002, pp.4-36.
- e) Deegan, C., “Theories of Financial Accounting”, Chapter 2 in *Australian Financial Accounting*, Third Edition, McGraw-Hill, 2002, pp.90-95.
- f) Hampton, G. and Bishop, T., [1998], "Measurement and the Australian conceptual framework", *Australian Accounting Review*, May, pp. 42-53.*

* - denotes article located in booklet of readings

Assignment Questions Due for Submission

- 1. Deegan – Financial Accounting Theory - Ch. 4 – Questions 4.3; 4.15; 4.16 (pp.125-127)
- 2. Deegan – Financial Accounting Theory - Ch. 5 – Questions 5.4; 5.5; 5.12 (pp.164-165)
- 3. Deegan – Australian Financial Accounting - Ch. 1 – Review Questions 8; 18; (p.51)
- 4. (refer to the Hampton & Bishop reading) In what ways are accounting numbers imprecise? What are the limitations of accounting numbers? How is the Australian conceptual framework related to measurement? What are the problems in relating measurement to the past and the future? For what purposes are the accounting numbers on a statement of financial position designed?

DUE WEEK 4 POSITIVE ACCOUNTING THEORY

Readings

- a) Deegan, C., “Positive Accounting Theory”, Chapter 7 in *Financial Accounting Theory*, First Edition, McGraw-Hill, 2000.
- b) Deegan, C., “Theories of Financial Accounting”, Chapter 2 in *Australian Financial Accounting*, Third Edition, McGraw-Hill, 2002, pp.66-90.

Assignment Questions Due for Submission

- 1. Deegan (Financial Accounting Theory) – Ch. 7 – Question 7.1 (p.243)
- 2. Deegan (Financial Accounting Theory) – Ch. 7 – Question 7.2 (p.243)
- 3. Deegan (Financial Accounting Theory) – Ch. 7 – Question 7.3 (p.243)
- 4. Deegan (Financial Accounting Theory) – Ch. 7 – Question 7.6 (p.243)
- 5. Deegan (Financial Accounting Theory) – Ch. 7 – Question 7.9 (p.243)
- 6. Deegan (Australian Financial Accounting) – Ch. 2 – Review Question 9 (p.109)
- 7. Deegan (Australian Financial Accounting) – Ch. 2 – Review Question 17 (p.109)
- 8. Deegan (Australian Financial Accounting) – Ch. 2 – Review Question 23 (p.109)
- 9. Deegan (Australian Financial Accounting) – Ch. 2 – Review Question 28 (p.110)
- 10. Deegan (Australian Financial Accounting) – Ch. 2 – Challenging Question 31 (p.115)

DUE WEEK 5

INTERNATIONAL DIMENSIONS OF FINANCIAL ACCOUNTING

Readings

- a) Collett, P. H., Godfrey, J. M., and Hrasky, S. L., [2001], "International Harmonization: Cautions from the Australian Experience", *Accounting Horizons*, Vol. 15, No. 2, pp. 171-182. *
- b) Deegan, C., "International accounting and the effects of cultural differences and harmonisation efforts", Chapter 6 in *Financial Accounting Theory*, Mc-Graw Hill, 2000.
- c) Deegan, C., "An Overview of the Australian External Reporting Environment", Chapter 1 in *Australian Financial Accounting*, Third Edition, Mc-Graw Hill, 2002, pp.36-44.
- d) Ham, P., [2002], "Peace, love and accounting", *CACHARTER*, August, pp. 39-40.*
- e) Policy Statement 4: International Convergence and Harmonisation Policy. *Accounting Handbook 2003*, Prentice Hall, 2003, pp. liv-lviii.
- f) Zeff, S. A., [2002], "Political Lobbying on Proposed Standards: A Challenge to the IASB", *Accounting Horizons*, Vol. 16, No. 1, pp. 43-54.*

* - denotes article located in booklet of readings

Assignment Questions Due for Submission

1. Deegan – Financial Accounting Theory - Ch. 6 – Questions 6.4; 6.10; 6.13; 6.7 (pp.197-199)
2. Deegan – Australian Financial Accounting - Ch. 1 – Challenging Question 23 (p.58)
3. (refer to the AASB Policy Statement 4). Critically evaluate the benefits of convergence and harmonisation as outlined in para.7. Is it possible to demonstrate that these benefits will be achieved? What if they cannot be achieved?
4. (refer to the Collett et al. reading). "Complying with International Financial Reporting Standards (IRFS) (previously known as IASs) is settling for the lowest common denominator". If this is the case, why has Australia been one of the first countries to agree to their adoption? Evaluate the reasons given and counter each argument, where possible.
5. (refer to the Zeff reading).What is the nature of 'political intrusion' into the standard setting process? Outline some of the examples of 'intrusion' which Zeff gives. Speculate on possible intrusions into international accounting standard setting - how will the IASB react to such 'intrusions?'

DUE WEEK 6 FINANCIAL REPORTING IN THE PUBLIC SECTOR

Readings

- a) AAS 27: Financial Reporting by Local Governments, AAS 29: Financial Reporting by Government Departments, AAS 31: Financial Reporting by Governments, *Accounting Handbook 2003*, CD-ROM, Prentice Hall.
- b) Carnegie, G. and Wolnizer, P. "Unravelling the rhetoric about financial reporting of public collections as assets", *Australian Accounting Review*, Vol. 9, No. 1, 1999, pp. 16-21. *
- c) Deegan, C., "Accounting for Heritage Assets and Assets of a Self-Generative and Regenerative Nature", Chapter 8 in *Australian Financial Accounting*, Third Edition, McGraw-Hill, 2002. pp. 253-268.
- d) Potter, B. "Financial accounting reforms in the Australian public sector" *Accounting, Auditing & Accountability Journal*, Vol. 16, No. 1, 2002, pp. 69-93. *
- e) Ryan, C., "The Introduction of Accrual Reporting Policy in the Australian Public Sector", *Accounting, Auditing & Accountability Journal*, Vol. 11. No. 5, 1998, pp. 518-539. *

* - denotes article located in booklet of readings

Assignment Questions Due for Submission

1. (refer to the Ryan reading). In your opinion, why was accrual accounting introduced in the public sector? (In Ryan's terms, you will need to identify the various 'actors' and their means and motivations).
2. (refer to the Potter reading). What arguments were used to establish the role of commercial accounting information systems in public sector entities? Are these reasonable arguments? In what ways was the Conceptual Framework influential in shaping the nature and content of accounting reforms in the Australian public sector?
3. (refer to the Carnegie & Wolnizer reading). Evaluate C & W's argument that because public collections are valued for their cultural, heritage, scientific and educative qualities they cannot be valued in monetary terms.
4. Deegan – Australian Financial Accounting - Ch. 8 – Review Questions 3; 4; 8 (p.283)
5. Deegan – Australian Financial Accounting - Ch. 8 – Challenging Questions 14; 15 (p.284)

DUE WEEK 7
ACCOUNTING IN A SOCIAL, POLITICAL AND
ENVIRONMENTAL CONTEXT

Readings

- a) Baker, R., and Bettner, M. S., [1997], “Interpretive and Critical Research in Accounting: A Commentary on its Absence from Mainstream Accounting Research”, *Critical Perspectives on Accounting*, Vol. 8, pp. 293-310. *
- b) Burritt, R. L., and Cummings, L. S., 2002, “Accounting for Biological Assets – the Experience of an Australian Conservation Company”, *Asian Review of Accounting*, Vol. 10(2), pp. 17-42. *
- c) Deegan, C., “New Systems of Accounting – the incorporation of social and environmental factors within external reporting”, Chapter 9 in *Financial Accounting Theory*, First Edition, McGraw-Hill, 2000
- d) Deegan, C., “Critical Perspective’s of Accounting”, Chapter 12 in *Financial Accounting Theory*, First Edition, McGraw-Hill, 2000.
- e) Hines, R. D., 1989, “Financial Accounting Knowledge, Conceptual Framework Projects and the Social Construction of the Accounting Profession”, *Accounting, Auditing and Accountability Journal*, Vol 2(2), pp. 72-92. *
- f) Lehman, C. R., 1992, “Herstory in accounting: the first eighty years”, *Accounting, Organisations and Society*, Vol 17(3/4), pp. 261-285. *
- g) Walters, K., 2003, “Big Four, big worry”, *Business Review Weekly*, April 10-16, pp. 48-53. *

* - denotes article located in booklet of readings

Assignment Questions Due for Submission

- 1. Deegan – Ch. 9 – Question 9.1 (p.351)
- 2. Deegan – Ch. 9 – Question 9.7 (p.351)
- 3. Deegan – Ch. 9 – Question 9.13 (p.352)
- 4. Deegan – Ch. 9 – Question 9.18 (p.354)
- 5. Deegan – Ch. 12 – Question 12.2 (p.428)
- 6. Deegan – Ch. 12 – Question 12.6 (p.429)
- 7. Deegan – Ch. 12 – Question 12.10 (p.429)

8. (refer to the Baker and Bettner reading) According to the authors, why have interpretive and critical accounting articles not been published in leading academic accounting journals in the past? How has this restricted accounting, and what implications does a lack of academic focus on critical accounting issues possibly have for the progress of accounting?
9. (refer to the Burritt and Cummings reading) Examine the valuations inherent in the “economic accounts” of Earth Sanctuaries Ltd prior to the adoption of AASB 1037 “Self-Generating and Re-Generating Assets” in 1999.
 - a) What do the authors have to say with respect to the relevance and reliability of the asset figures contained in these “economic accounts”?
 - b) Do you feel Earth Sanctuaries was justified in preparing these alternative “economic accounts” alongside conventional financial accounts? What was the company trying to achieve?
 - c) Should endangered wildlife be allowed to be actively traded on an open market, and if so, would it protect endangered species and increase their numbers?
10. (refer to the Hines reading). From a socio-political context, what are 4 main problems that threaten the legitimacy of the accounting profession, and what role can the Conceptual Framework play in socialising/politicising the accounting profession?
11. (refer to the Lehman reading) Lehman states that from the perspective of accounting, feminism can be separated into three general classifications. Briefly describe these classifications, and outline how women have progressed in accounting through the different time frames of the 20th century (1900-1920, 1920-1940, 1940-1960, 1960-1980, the 1980’s). In light of your own opinion, to what extent have women progressed in the last 10 years, and do the views of Lehman still have relevance today?
12. (refer to the Walters reading) To what degree do you think accounting firms should be restricted in the services that they provide to a particular client? Are the current problems in the accounting profession with respect to independence, a reflection of the failure of the accounting profession itself, or inherent in a system whereby audits are carried out by private organizations with a profit motive?

DUE WEEK 8

ACCOUNTING FOR EMPLOYEE BENEFITS AND RELATED PARTY TRANSACTIONS

Readings

- a) AASB 1017: Related Party Transactions
- b) AASB 1028: Employee Benefits
- c) Deegan, C., “Accounting for Employee Benefits”, Chapter 12 in *Australian Financial Accounting*, Third Edition, McGraw-Hill, 2002.
- d) Deegan, C., “Related Party Disclosures”, Chapter 24 in *Australian Financial Accounting*, Third Edition, McGraw-Hill, 2002.
- e) Parker, D., [2001], “Fair Claim”, *Australian CPA*, December, p. 40. *
- f) Wise, V., and Oliver, J., [2002], “Are employees entitled to more?”, *Australian CPA*, August, pp. 67-69. *

* - denotes article located in booklet of readings

Assignment Questions Due for Submission

- 1. Deegan – Ch. 12 – Review Question 2 (p.392)
- 2. Deegan – Ch. 12 – Review Question 10 (p.392)
- 3. Deegan – Ch. 12 – Review Question 13 (p.392)
- 4. Deegan – Ch. 24 – Review Question 5 (p.724)
- 5. Deegan – Ch. 24 – Review Question 10 (p.724)
- 6. Deegan – Ch. 24 – Review Question 11 (p.724)
- 7. Deegan – Ch. 12 – Review Question 15 (p.393). Assume however for this question that Jerry’s salary is \$150,000 instead of \$100,000, and that for part (b) Jerry takes three weeks annual leave instead of two, the tax increases to \$3,000 instead of \$1,200.
- 8. Deegan – Ch. 12 – Challenging Question 16 (p.393) Assume however that the weekly payroll is \$380,000 instead of \$300,000.
- 9. Deegan – Ch. 12 – Challenging Question 17 (p.393)
- 10. (refer to both the Parker and Wise & Oliver readings) Both readings comment on the ‘trust

funding model' (similar to that used to preserve superannuation entitlements) as a possible solution to employees missing out on their full employee entitlements when an employer organization becomes insolvent. Outline the advantages and disadvantages of such a trust funding model for companies that may be required to adopt such an approach.

11. In this problem, a reference to ownership relates to shareholdings. Aries Ltd owns 90% of Taurus Ltd, 60% of Gemini Ltd, 30% of Cancer Ltd and 21% of Leo Ltd. Assume that a shareholding of over 50% indicates control and a shareholding of over 20% indicates significant influence. (continued next page)

Directors of the companies are as follows:

Company	Directors
Aries Ltd:	Adam, Abraham and Anne
Taurus Ltd:	Tim and Tabatha (who are divorced)
Gemini Ltd:	George, Gillian and Graham
Cancer Ltd:	Charles and Caroline
Leo Ltd:	Liam and Lillian

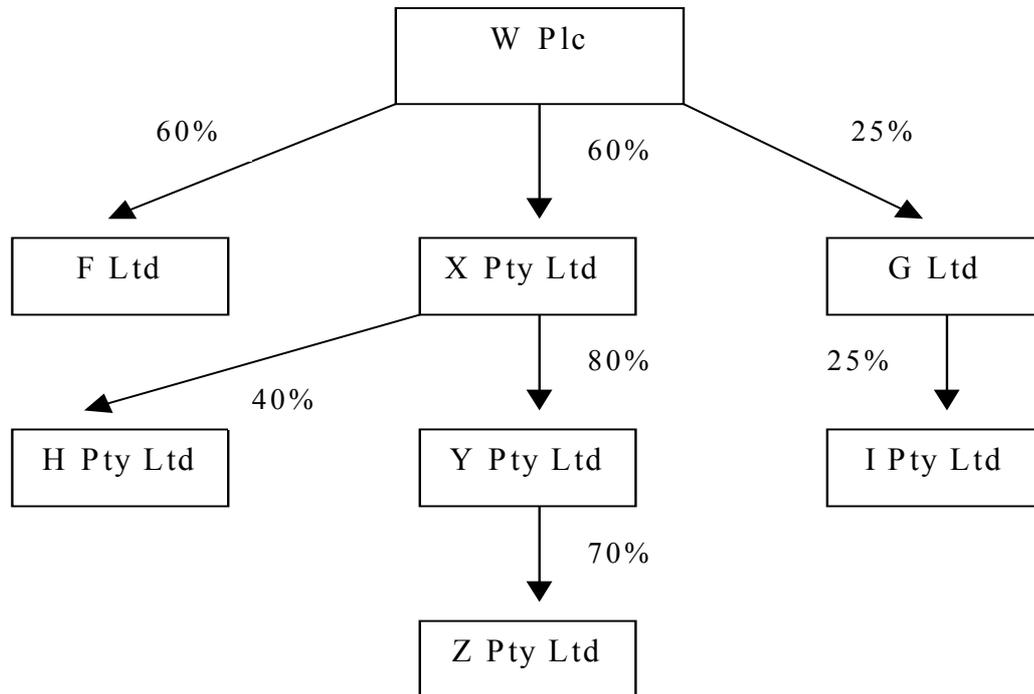
Directors relatives include:

Director	Relatives (relationship to Director)
Tabatha	Robert (de facto)
Charles	Hannah (daughter)
Lillian	Stephen (husband)
Adam	Todd (nephew)
Abraham	William (brother)
George	Fleur (granddaughter)
Gillian	Esther (aunt)

Required

Identify the related parties of Taurus Ltd in accordance with AASB 1017, justifying your answer by reference to the relevant parts of the paragraph 9.1 related party definition.

12. Consider the following group structure in relation to X Pty Ltd and determine who are the identifiable related parties in accordance with AASB 1017;



Additional Information:

Each of the percentages shown above represent voting shares and each ownership interest is supported by proportional representation on the board of directors.

In addition to the interests shown above, X Pty Ltd is also the trustee of the X Pty Ltd Staff Superannuation Fund, which is an employer sponsored defined contribution fund (i.e. the earnings and capital growth from investments accumulate wholly to the members of the fund).

The directors of X Pty Ltd at 30 June 20X6 are Mike, Carol and Tiger. Mike and Carol have children from previous marriages, namely, Greg, Peter, Bobby, Marcia, Jan and Cindy. Alice and Sam are the original owners of X Pty Ltd business, and own the remaining 40% of the shares in X Pty Ltd. Kitty Carryall is a director of Z Pty Ltd.

Greg acts as X Pty Ltd’s solicitor, and the firm in which he is a senior partner provides legal services to X Pty Ltd on normal commercial terms. Tiger represents the company’s bankers, Parasite Ltd, on the board of directors. Parasite Ltd provides substantial funds to X Pty Ltd and its primary finance provider. Mike is known for his entrepreneurial flair and also acts as an independent director for Coles Myer Ltd and ICI Ltd.

DUE WEEK 9 ACCOUNTING FOR FINANCIAL INSTRUMENTS

Readings

- a) AASB 1033: Accounting for Financial Instruments
- b) Deegan, C., “Accounting for Financial Instruments”, Chapter 14 in *Australian Financial Accounting*, Third Edition, McGraw-Hill, 2002.
- c) Matolcsy, Z., and Petty, J. D., [2001], “Internal Reporting of Derivatives: Some Australian Evidence”, *Australian Accounting Review*, Vol. 11(1), pp. 26-33. *

* - denotes article located in booklet of readings

Assignment Questions Due for Submission

- 1. Deegan – Ch. 14 – Question 1 (p.439)
- 2. Deegan – Ch. 14 – Question 8 (p.439)
- 3. Deegan – Ch. 14 – Question 11 (p.440)
- 4. Deegan – Ch. 14 – Question 12 (p.440)
- 5. Deegan – Ch. 14 – Question 18 (p.440)
- 6. Deegan – Ch. 14 – Question 20 (p.441)
- 7. Deegan – Ch. 14 – Question 21 (p.441)
- 8. (refer to the Matolcsy and Petty reading) What were some of the concerns that the authors raised with respect to the corporate governance and disclosure issues related to the use of derivatives by Australian companies? For organisations that do engage in derivatives, what impact do these concerns have on the director’s ability to attest that financial statements are “true and fair”?
- 9. An entity issued 2 000 000 convertible notes on 1 July 1996. The notes have a four year term, and were issued at \$5 per note, giving total cash proceeds of \$10 million. Interest is payable annually in arrears at a rate of 8% per annum. Each note is convertible into one ordinary share at or before maturity. When the notes were issued, the prevailing market interest rate for similar debt without conversion options attached was 9% per annum.

(see next page).

Required:

- a. Prepare the journal entries to record the issue of the convertible notes so as to enable the disclosures required under AASB 1033 'Presentation and Disclosure of Financial Instruments'.
- b. Prepare the journal entries subsequent to issue, for the remaining 4 years, on the basis that conversion does not occur.
- c. How does this treatment differ from the treatment suggested in SAC4 'Definition and Recognition of the Elements of Financial Statements'?

DUE WEEK 10 ETHICS IN ACCOUNTING

Readings

- a) Amat, O., Blake, J., and Dowds, J., “The Ethics of Creative Accounting”, Unpublished Working Paper, Universitat Pompeu Fabra - Spain, Central Lancashire University – England, Massey University, New Zealand, December 1999. *
- b) Anonymous, “True and Fair is not hard and fast”, *The Economist*, April 26th, 2003, pp. 59-61. *
- c) Charles, E., [2002], “Bad Company”, *Australian CPA*, August, pp. 28-33. *
- d) Cheney, G., [2002], “USA comes in from the cold”, *Australian CPA*, December, pp. 30-35. *
- e) Deans, A., “The Book Minders”, *The Bulletin*, April 30, 2002, pp. 42-45. *
- f) Fenwick Huss, H. W., and Patterson, D. M., “Ethics in Accounting: Values Education without Indoctrination”, *Journal of Business Ethics*, Vol 12, 1993, pp. 235-243. *
- g) Heathcote, A., and James, D., [2002], “The numbers game”, *Business Review Weekly*, August 15-21, pp. 62-65. *
- h) ICAA and ASCPA, “Joint Code of Professional Conduct”, in *Accounting Handbook 2003 – Companion CD-ROM*, Prentice Hall.
- i) Windsor, C. A., [2002], “Auditors’ Predisposition to Provide Fair Judgments: Australian Evidence of Auditors’ Level of Moral Reasoning”, *Australian Accounting Review*, Vol. 12(2), pp. 51-58. *

* - denotes article located in booklet of readings

Assignment Questions Due for Submission

1. Why should members of the accounting profession act ethically?
2. ‘The fundamental duty of accountants is to clients or employees subject only to the public interest.’ Discuss the validity of this statement in relation to the Code of Professional Practice.
3. (refer to the Amat *et al.* reading).
 - (a) Is creative accounting an illegal activity? What are the four methods of creative accounting according to Amat *et al.*, and how can each be minimised?
 - (b) Why is creative accounting undertaken?
 - (c) What role does the market play in curbing creative accounting practices, and can the market always be relied upon to “sniff out” dubious accounting practices?

- (d) Amat *et al* cites the work of Revsine who argues for a distinction between standard setting in the public and private sectors. Why is the distinction made, and how is the distinction linked to both the deontological and teleological viewpoints?
4. (refer to the “True and Fair is not hard and fast” reading) In the wake of some of the creative accounting incidences in the past, summarize the various proposals that the commentators advocate in the article.
 5. (refer to the Charles reading) What was the central theme of the article with respect to the cause of many of the corporate collapses?
 6. (refer to the Cheney reading) Cheney equates the corporate ethics crisis in the United States to that of a nuclear threat or environmental collapse. What does he mean by this?
 7. (refer to the Dean reading) What is “low-balling”, and why is it undertaken? How can low-balling compromise the integrity of an audit?
 8. (refer to the Fenwick Huss and Patterson reading) How can ethics be taught without imposing or indoctrinating value structures on students? Discuss this question in line with what you know about universalism and relativism. What role can ethics research play in the accounting education curriculum?
 9. (refer to the Heathcote and James reading) Heathcote and James state that accounting practices are increasingly failing to reflect the “true and fair” value of businesses. Why is this so?
 10. (refer to the Windsor reading) Windsor states of the ethics of selected auditors that “a small number are likely to act in their own self-interest and do the right thing only to avoid punishment”. Are there any limitations in applying the results of academic research to the actual behavior of the profession?
 11. (Adapted from Henderson and Peirson, 2002, p.981) Michael Armstrong is an accountant with a small suburban practice. A significant proportion of his clients are medical practitioners, many of whom seem to be obsessed with avoiding taxes. One of his clients is Dr William Roberts, a very wealthy orthopaedic surgeon and the senior partner in a large practice, the partners of which are all clients of Armstrong. Dr Roberts approached Armstrong with a tax avoidance scheme which is ‘being widely used’ in the medical community. It involves selling accounts receivable at a discount to a financier. Roberts explains that the sale of assets at a loss does not incur tax, and as the revenue is never received from billings, there is no taxable income. When Armstrong expressed some doubts about the legality of the proposal, Roberts argued that it was ‘perfectly legal’, was ‘widely used’ and if Armstrong was not prepared to implement it, Roberts and all his partners would ‘take their business elsewhere’.

Required

- a) What risks would Armstrong run if he acceded to Roberts' wishes?
- b) What costs would Armstrong incur if he refused to accede to Roberts' wishes?
- c) If Armstrong acceded to Roberts' wishes, would there be a breach of the ASCPA Code of Professional Conduct, and under what sections?
- d) What advice would you give to Armstrong?

DUE WEEK 11
ACCOUNTING FOR EXPENDITURE CARRIED FORWARD

Readings

- a) AASB 1011: Accounting for Research and Development Costs
- b) AASB 1022: Accounting for the Extractive Industries
- c) Deegan, C., “Accounting for Intangibles”, Chapter 7 in *Australian Financial Accounting*, Third Edition, McGraw-Hill, 2002.
- d) Deegan, C., “Accounting for the Extractive Industries”, Chapter 19 in *Australian Financial Accounting*, Third Edition, McGraw-Hill, 2002.
- e) Buffini, F., “Write-off ‘unsurprising’”, *Australian Financial Review*, 12th December 2002, p.14 *
- f) Hextall, B., “Woodside elects to take \$800m hit”, *Australian Financial Review*, 12th December 2002, pp. 1+14. *

* denotes article located in booklet of readings

Assignment Questions Due for Submission

- 1. Deegan – Australian Financial Accounting - Ch. 7 – Review Questions 1; 4; 9; 13 (pp. 243-244).
- 2. Deegan – Australian Financial Accounting - Ch. 19 – Review Questions 1; 2; 3; 7; 11; 15; 16 (pp. 605-608).
- 3. (refer to the Buffini and Hextall articles)
 - a) What is the change in accounting policies that have been announced by Woodside and what is its impact?
 - b) Why did Woodside make this change?
 - c) Was the previous accounting policy acceptable or misleading to investors?

DUE WEEK 12
ACCOUNTING FOR LEASES

Readings

- a) AASB 1008: Accounting for Leases
- b) Deegan, C., "Accounting for Leases", Chapter 10 in *Australian Financial Accounting*, Third Edition, McGraw-Hill, 2002.

Assignment Questions Due for Submission

- 1. Deegan – Australian Financial Accounting - Ch. 10 – Review Questions 1; 2; 3; 7; 11; 13 (pp. 351-353).
- 2. Deegan – Australian Financial Accounting - Ch. 10 – Challenging Question 15 (p. 354).

DUE WEEK 13
ACCOUNTING FOR SUPERANNUATION PLANS AND REPORTING OF
GENERAL INSURANCE ACTIVITIES (FINAL TUTORIAL)

Readings

- a) AAS 25: Financial Reporting by Superannuation Plans
- b) AASB 1023: Financial Reporting of General Insurance Activities
- c) Australian Accounting Standards Board, [2002], “Royal Commission’s request for submissions: Financial Reinsurance and Accounting for Insurance and Reinsurance Contracts”, Commentary, August 9, [Online]:
<http://www.hihroyalcom.gov.au/Documents/Submissions/AASBNew.pdf> *
- d) Deegan, C., “Accounting for Superannuation Plans”, Chapter 21 in *Australian Financial Accounting*, Third Edition, McGraw-Hill, 2002.
- e) Deegan, C., “Financial Reporting of General Insurance Activities”, Chapter 20 in *Australian Financial Accounting*, Third Edition, McGraw-Hill, 2002.
- f) Institute of Actuaries of Australia, [2002], “Submission to HIH Royal Commission, July, [Online]: <http://www.hihroyalcom.gov.au/Documents/Submissions/IAAust.pdf> *

* - denotes article located in booklet of readings

Assignment Questions Due for Submission

- 1. Deegan – Australian Financial Accounting - Ch. 20 – End-of-chapter exercise 1 (p.629).
- 2. Deegan – Australian Financial Accounting - Ch. 20 – Review Question 9 (p.630).
- 3. (refer to the Institute of Actuaries submission) Do you think that the conceptual framework was challenged by the collapse of HIH Group?
- 4. (refer to the Institute of Actuaries submission) What specific changes are required to AASB 1023 standard to reduce chances of such corporate collapses?
- 5. (refer to the Australian Accounting Standards Board submission) What explanations did the AASB provided to the HIH Group collapse?
- 6. Deegan – Australian Financial Accounting - Ch. 21 – Review Questions 2; 3; 4; 6; 11; (p.656).
- 7. Deegan – Australian Financial Accounting - Ch. 21 – Challenging Question 13; (p.657).

APPENDIX 1

THE DANGERS OF CHEATING AND PLAGIARISM AND HOW TO AVOID THEM

To cheat in the context of university assignments, tests and examinations is to attempt to gain an unfair advantage by violating the principles of intellectual and scholarly integrity. Cheating also encompasses plagiarism, which is the appropriation or imitation of another person's ideas and manner of expressing them.

WHAT IS PLAGIARISM?

The Academic Senate in June 2001 approved policies and procedures to ensure that the University takes a consistent and equitable approach to plagiarism. The Senate adopted the following definition of plagiarism.

Definition: Plagiarism involves using the work of another person and presenting it as one's own. Any of the following acts constitutes plagiarism unless the source of each quotation or piece of borrowed material is clearly acknowledged.

- a) copying out part(s) of any document or audio-visual material (including computer based material);
- b) using or extracting another person's concepts, experimental results, or conclusions;
- c) summarising another person's work;
- d) in an assignment where there was collaborative preparatory work, submitting substantially the same final version of any material as another student.

Encouraging or assisting another person to commit plagiarism is a form of improper collusion and may attract the same penalties which apply to plagiarism.

Opportunities and temptations for plagiarism have increased with the spread of internet access. Plagiarism is a serious threat to the teaching and accreditation process, and seriously undermines the collegial and ethical principles which underpin the work of a University.

WHY IS IT WRONG?

If you take and use the work of another person without clearly stating or acknowledging your source, you are falsely claiming that material as your own work and committing an act of plagiarism. This is wrong because:

- it violates the principle of intellectual and scholarly integrity.
- it devalues the grades and qualifications gained legitimately by other students.

PREVENTING CHEATING

All students and staff have a responsibility to prevent, discourage and report cheating.

Typically students cheat because they are having difficulty with the unit content, the language of the unit, or both. Cheating and/or plagiarism can be a temptation when students are experiencing difficulty with a heavy workload in the unit and seek to save time by using others work.

To avoid having students resort to cheating, the University provides many services to help students with their course or to make thoughtful decisions about whether to continue. Within the Division of Economic and Financial Studies, students should first seek assistance from their tutor and/or lecturer. The University also offers help through the Dean of Students or the University Health and Counselling Services.

There is a difference between getting help and cheating. You are encouraged to get help if you need assistance to understand the material and any set work so that you are in a better position to create your own answers.

HOW TO PLAY IT SAFE

To maintain good academic practice, so that you may be given credit for your own efforts, and so that your own contribution can be properly appreciated and evaluated, you should acknowledge your sources and you should *ALWAYS*:

- (i) State clearly in the appropriate form where you found the material on which you have based your work, using the system of reference specified by the Division in which your assignment was set;
- (ii) Acknowledge the people whose concepts, experiments or results you have extracted, developed or summarised, even if you put these ideas into your own words;
- (iii) Avoid excessive copying of passages by another author, even where the source is acknowledged. Find another form of words to show that you have thought about the material and understood it, but remember to state clearly where you found the ideas.

There is nothing wrong with working with other students in a group; indeed sometimes you will be encouraged to do so. But after a certain point, each student must work on their own to produce their own written answers. If no specific guidelines for group-work have been given, a reasonable interpretation is that it is acceptable for two or more students to discuss a problem among themselves or with a staff member. The group may then agree that the answer should include certain points. But then each member of the group must independently write their own answer to the problem.

PENALTIES

Offences of plagiarism will attract penalties which at a minimum, will result in the deduction of all marks for the test and/or assignment, to ultimately a failure in the unit and reference to the University Discipline Committee. The penalty will depend upon the extent of the plagiarism, whether it is a first or repeated offence, whether there is evidence of deliberate deceit and whether advantage has been taken of another student. In all cases however, a record of any offence and/or incident will be placed permanently on the students' individual record file held at the university.

APPENDIX 2

FEEDBACK ON PRESENTATION

Name : {insert}

The presentation contains a weighting of 5% of overall assessment, but the presentation will be marked out of 10. A score of 1 indicates that your presentation was not satisfactory while a score of 10 indicates an excellent effort.

Use of Key Questions

- at the beginning for focus
- during (to give structure and to stimulate curiosity)

Promoting Clarity

- new terms are defined
- the level of vocabulary used indicated awareness of the learners capacity
- word choice was precise and apt
- sentence structure was straight forward
- speech was fluent
- vagueness and excessive qualification were avoided
- pacing matched the complexity of the topic and capacity of the audience

Using Examples

- a sufficient number were used to promote understanding
- relevant to the topic being explained
- matched the levels of thinking and experiences within the group

Forming Connections

- linking words were used to indicate cause, result, or purpose
- the pattern or structure showed clearly the relations between generalisations and examples
- main points were *summarised* progressively or at end

Making Emphasis

- by variation in voice qualities, such as volume, stress or tone
- by selective repetition, para-phrasing of ideas, or enumeration of main points

Visual Techniques

- pictures, diagrams, demonstrations, or actual objects used to enhance understanding & provide variation

Monitoring feedback

- In a real teaching setting you would also use questions to locate problems in Understanding, then adjust pace, or, add more examples, or, clarify or reiterate

Acknowledgment: - Form written by *Fran Everingham* - Health Science Education, Faculty of Health Sciences, The University of Sydney.

APPENDIX 3

ACCG323 – FINANCIAL ACCOUNTING THEORY AND PRACTICE 2003

ETHICS ASSIGNMENT COVER SHEET

DUE DATE: 6PM, MONDAY 13th OCTOBER in the assignment box in the Economic Resource and Information Centre (ERIC) in C5C 244.

Note: You must attach this sheet to your ethics assignment and complete all fields below otherwise you will score 0 marks.

Student Surname:.....

Student First Name:.....

Tutorial Time (e.g Tues 9-11am):.....

Tutor Name:.....

Certification

I hereby certify that this assignment is original, and does not contain any material that has been copied from or by another student, or which has been previously or currently submitted for assessment by another student; and does not, to the best of my knowledge, contain any material previously published in written or electronic form (online web resources) which due reference has not been made in the assignment.

Signed and Dated:.....