

**DIVISION OF ECONOMIC AND FINANCIAL STUDIES DEPARTMENT OF
ACCOUNTING AND FINANCE**



MACQUARIE
UNIVERSITY ~ SYDNEY

**ACCG 310
CORPORATE ACCOUNTING AND REPORTING**

UNIT OUTLINE

2nd SEMESTER 2005

Year and Semester: 2005, 2nd Semester

Unit convenor: Dr Elaine Evans

Prerequisites: ACCG 101 (P); 39 credit points

Credit points: 4

Contact hours per week: 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

ACGG 310 examines the framework and techniques that are used to prepare general purpose financial reports for companies. 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, the recognition and measurement of the financial statement elements, the translation of foreign operations and accounting for income tax.

This unit constitutes part of the core curriculum of studies required by CPA Australia and The Institute of Chartered Accountants in Australia.

ACCG 310 is a 4 credit point unit, which means the workload is more demanding than most other ACCG units. On average students should devote between 12 to 14 hours of study time per week to the unit.

ACCG 310 is a pre-requisite of ACCG 340.

ASSUMED KNOWLEDGE

From prior studies you should already be proficient in the following technical aspects of accounting:

- Preparation of general journal entries for 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.
- Posting to general journal entries to ledger or T accounts and produce the trial balance.
- Preparation of the income statement and balance sheet of a company from a trial balance.

- Description of 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

Staff responsible for the presentation of ACCG 310 are as follows:

| <u>Name</u> | <u>Room</u> | <u>Email</u> | <u>Telephone</u> |
|------------------------------------------|--------------------|------------------------------------------------------------------------|------------------|
| Elaine Evans Unit Convenor & Lecturer | C5C 403 | eevans@efs.mq.edu.au | 9850-6477 |
| Ron Day Lecturer | Goodman Fielder | rday@efs.mq.edu.au | 9850-8470 |
| Leisa Henness Lecturer/Tutor | tba | lhenness@optusnet.com.au | tba |
| James Lau Administrator/Tutor | C5C 431 | jlau@efs.mq.edu.au | 9850-8522 |
| Kym Boon Tutor | C5C 401 | kboon@efs.mq.edu.au | 9850-8451 |
| Parmod Chand Tutor | C5C 416 | pchand@efs.mq.edu.au | 9850-6137 |

You will be notified of staff consultation hours during your first tutorial in week 2. The consultation timetable will be made available on the unit's website. Full-time staff members are available for two hours per week for consultation on a drop-in basis. Some part-time tutors will have consultation hours on campus. You are encouraged to seek help from during the set consultation hours. Your tutor will advise you of arrangements for consultation.

TIMETABLE FOR LECTURES

ACCG 310 requires that students attend one two-hour lecture every week.

Lecture places have been allocated by the university's on-line enrolment system to ensure that lecture theatres do not become overcrowded, causing non-compliance with Occupational Health and Safety Guidelines. Therefore you should attend your allocated lecture time. Proof of registration may be required if overcrowding occurs.

| <u>Day</u> | <u>Time</u> | <u>Room</u> |
|------------|-------------|-------------------|
| Monday | 7-9 pm | X5B T1 |
| Wednesday | 1-3 pm | E7B Mason Theatre |
| Thursday | 2-4 pm | E7B Mason Theatre |

In Week 8, Monday 3 October is a public holiday. Students in the Monday lecture time can attend a lecture on either Wednesday or Thursday that week.

TIMETABLE FOR TUTORIALS

ACCG 310 also requires students to attend a weekly small group tutorial of two hours duration. The maximum number of students in each group is twenty-five.

Tutorials begin in Week 2 – the week beginning 8 August.

Tutorial places have been allocated by the university's on-line enrolment system. Most tutorials are already full. If you do not already have a tutorial time, then you must enrol on-line as soon as possible. A full listing of final tutorial classes will be posted on the notice boards outside the Economics Resource and Information Centre (ERIC), Room 244, Building C5C.

Due to the large number of students enrolled in ACCG 310 all additions or changes to tutorial times must be complete by Friday 5 August. Changes are not permitted after that time unless you have documentary evidence of special circumstances. In that case you must email James Lau (see p. 3).

You must attend your official tutorial class. Tutors will keep attendance records and collect assignment work only for those students that are registered in one of their tutorials.

Students that do not attend at least eight tutorials during the semester will be deemed to have unsatisfactory coursework for assessment purposes. While they can still pass the unit based on their final exam performance they will not have satisfactory coursework.

Monday 3 October is a public holiday, which falls within teaching week 8. Students with a Monday tutorial time should try to attend an alternative tutorial in the relevant week. Arrangements will be made by the unit convenor to ensure that affected students are not penalised for non-attendance at their official tutorial time because of the public holiday.

REQUIRED TEXT AND PRESCRIBED UNIT MATERIALS

In order to attempt the assignment work and prepare for the final exam in this unit, you will need access to a copy of the following textbook:

Alfredson, K. et al (2005), “Applying International Accounting Standards”, 1st edition, Brisbane: John Wiley & Sons Australia.

The Alfredson text can be purchased from the CO-OP Bookshop on campus. Except for Week 12, all tutorial questions are from this text.

A chapter on ‘Consolidated statement of cash flows’ from the Eddey, Arthur & Knapp (2001) text will be distributed to students during the lecture in Week 12

The Alfredson text comes complete with copies of PowerPoint slides for all chapters. The PowerPoint slides are displayed 3 per page with space left for note taking. These PowerPoint slides will be referred to extensively during the lectures in ACCG 310 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 lectures and add notes to them during the lectures as appropriate.

RESOURCES ON THE WEB AND IN ERIC

ACCG 310 lecture handouts, notices and assignment solutions will be available in full from the unit’s web page. You can access the web page on campus, at work or at home <http://online.mq.edu.au/> where you can login to myWebCT which lists all the webct units.

Hard copies of all ACCG 310 materials will also be available in ERIC, Room 244, Building C5C.

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, assignment 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 and apply the concepts for the financial statement elements set out in the IASB Framework
 - Describe the presentation and format of the financial statements

- Describe the role of accounting policies and how to deal with changes in accounting policies and errors
 - Compile the income statement and balance sheet from a trial balance
 - Derive the statement of cash flows using T account reconstruction or spreadsheet methodology
- b) Demonstrate understanding of the theory and practice of accounting for company income tax including:
- Describe the income statement approach and balance sheet approach to accounting for company income tax
 - Determine taxable income using the income statement approach
 - Prepare tax journal entries using the balance sheet approach
- c) Demonstrate understanding of the theory and practice of the recognition and measurement of assets and liabilities including
- Distinguish provisions from contingent liabilities and reserves
 - Describe the initial measurement of the cost of inventories and the subsequent application of the lower of cost and net realisable value measurement rule
 - Prepare journals for the initial measurement of the cost of property, plant and equipment and subsequent measurement using the cost basis or fair value basis
 - Describe the subsequent measurement of intangibles with and without an active market
- 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 journal to allocate this cost to the assets and liabilities of the business acquired
 - Describe the recognition, measurement and impairment of goodwill
 - Describe the mechanics of impairment testing assets
- 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 remove the financial effects of intra-economic entity transactions and balances and make other adjustments to portray the financial performance and financial position of the economic entity
 - Prepare a consolidation worksheet including the allocation to OEI in order to derive the consolidated income statement and consolidated balance sheet
 - Prepare the consolidated statement of cash flows by reconstructing ledger accounts or T accounts using the information from consecutive consolidated balance sheets and a detailed consolidated income statement
- 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

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 and are embedded into the various assessment tasks including the final examination.

TEACHING AND LEARNING STRATEGY

The teaching strategy of ACCG 310 recognises that students must take personal ownership of the learning experience. The teaching philosophy of ACCG 310 can be described as follows:

- **The Lecture – large group learning**

The purpose of the lectures is to provide you with an overview of the main concepts and techniques. Each lecture should give you a framework to use when problem solving in the particular topic for that week.

In lectures, you are expected to listen carefully and to take notes. When the lecturer repeats something with emphasis, then this usually means that it is be important to what you need to take away from the lecture.

- **Private study – learning by doing**

ACCG 310 relies heavily on assignment-based learning and private study.

During your private study after each week's lecture, you are expected to revise your lecture notes and read the specific textbook materials that have been prescribed.

Using the concepts and techniques presented in lectures and textbook materials, you are then required to prepare solutions to weekly assignment questions and exercises.

You should attempt all assignment questions and exercises before attending the relevant tutorial in which the solutions are discussed.

On average the unit will require students to complete between 8 to 10 hours of private study per week.

- **The Tutorial – small group learning**

In tutorials, tutors will assume that you have read each question or exercise and have made a bona fide attempt to answer it. You might come to class with half an answer or even less but at least you know the question or exercise and you tried to answer it as best you could.

Before your tutorial get over the biggest hurdle to learning something new - the fear that stops you from doing anything, the fear of trying to solve it or answer it by yourself.

Tutors will lead and manage the discussion of assignment questions and exercises and it is expected that you will actively participate in the tutorial setting. Active participation includes a preparedness to explain to the rest of the class what you did in your answer. If your answer is totally wrong, don't be ashamed, be happy, you are now in the learning cycle, its time for you to find out the right answer and reflect on what you did wrong.

The tutorials should be viewed as an active forum for any problems or difficulties that you have experienced when preparing answers. Ask your tutor questions. If they can't answer or you can't understand their answer, then email the question to the unit convenor and see if he can help you.

Your attempt at the weekly assignment work will be collected by tutors and reviewed for satisfactory effort.

Satisfactory means that a reasonable person when confronted with your assignment answers would conclude that you made a genuine effort at the assignment. In order to qualify as satisfactory your assignment must include answers to at least 70% of the practical exercises required for the week.

- **After the tutorials – the learning process continues**

At the end of each week (Friday p.m.), copies of the textbook solutions to the relevant weekly assignment will be placed in ERIC and made available on the web. While your understanding of the topic material is fresh you should review the model solutions for each weekly assignment. Check your answers against the model solutions and learn from your mistakes.

RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES

In ACCG 310 you must demonstrate that you have satisfied the learning objectives of the unit.

Absolute assurance is required that you are the one who can do the job e.g. apply the rules, prepare the journals, or compile the financial statements. Accordingly, in ACCG 310 the final exam is the main game.

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.

On the day of the final exam you must be able demonstrate your understanding by answering a question or practical exercise starting from a blank page.

The final assessment in ACCG 310 is based on raw scores calculated as follows:

| | |
|--------------------------------------------------------------|------------|
| | <u>%</u> |
| Tutorial assignments monitored in tutorials | 10 |
| Multiple choice tests completed in tutorials | 10 |
| Written report to be completed during the mid-semester break | 10 |
| Final exam | <u>70</u> |
| | <u>100</u> |

The tutorial assignments, multiple-choice tests and written report provide the means of continuous assessment and continuous learning throughout the semester.

The primary objective of the continuous assessment tasks in ACCG 310 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 (30%)

a) Tutorial assignments (10%)

Ten weekly tutorial assignments worth 1% each must be submitted for this component of the assessment.

It is only possible to submit your tutorial assignments in your registered tutorial. Tutors will not accept late assignments under any circumstances.

Tutors will award 1% for each assignment where a bona fide attempt has been made to complete the questions and exercises that have been set. In this case, the assignment will be labelled “S” for satisfactory. In the alternative, tutors will award nil and label the assignment “I” for incomplete.

It is expected that the written work you submit for the weekly assignments will largely be completed before the tutorial rather than during the tutorial. A Tutor that notices an assignment being prepared during the tutorial is entitled to award “I” to the assignment.

On the front page of each weekly tutorial assignment that you submit make sure you have your name and student id. Also, ensure that your writing is legible.

b) Multiple choice tests (10%)

Ten multiple-choice tests worth 1% each will be administered during the weekly tutorials. The tests will usually require answers be selected to 5 questions in no more than 8 minutes. Students’ answers will be collected immediately by tutors and will be marked in class at the beginning of the next tutorial and then returned.

It is only possible to sit for the multiple-choice tests in your official tutorial. If you do not attend your official class when a multiple-choice test has been held you automatically forfeit the applicable 1%.

c) Written report (10%)

You will be advised of the content, format and assessment criteria later in the semester.

FINAL EXAM (70%)

The final exam of ACCG 310 is designed to test you against the learning objectives of the unit.

Past exam papers in ACCG 310 are not made available because the emphasis and the unit material changes from year to year. Students in ACCG 310 for 2005 will be required to do a final exam that tests them on the material covered in ACCG 310 in 2005. Students should not put any faith in contraband copies of previous ACCG 310 exam papers because the final exam in ACCG 310 is never the same from one year to the next.

To pass this unit you must have attempted every assessment task; your overall performance must be satisfactory; and you must pass the final examination.

The University Examination period in the Second Half Year 2005 is from Wednesday 16 November to Wednesday 30 November.

You are expected to present yourself for examination at the time and place designated in the University 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>

Details regarding the form and scope of the final exam will be provided to you during the final lecture. In the meantime you should be aware that the best preparation for the final exam is as follows:

- Attend lectures and take notes - what are the main points the lecturer has made?
- Complete the required readings from the textbooks each week.
- Complete independent solutions to tutorial discussion questions and exercises - treat the questions as preparation for the theory component of the final exam and the exercises as preparation for the practical component.
- Attend tutorials and work through the assignment material with your tutor - ask questions!
- Participate in the tutorial tests and use them to monitor your own progress against the unit learning objectives. A low score on a tutorial test is a signal that you need to do more work on the topic.
- Check your solutions to the tutorial assignments against the “suggested solutions” that are available at the end of each week on a timely basis.
- Use the consulting times of full-time 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>

If a Supplementary Examination is granted as a result of Special Consideration, 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.

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 Undergraduate 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.

STUDENT SUPPORT SERVICES

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

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 number of students are to be failed in any unit. In fact it does something like the opposite, in requiring examiners to explain their actions if more than 20% of students fail in a unit.

The process of scaling does not change the order of marks among students. A student who receives a higher raw mark than another will also receive a higher final scaled mark. For an 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>.

LECTURE SUMMARY

The first lecture (week 1) begins with administration of the unit including distribution of unit outline. The topic areas covered include understanding the International Accounting Standards Board and its framework and accounting for share issues and dividends.

Week 2 examines the preparation and presentation of an income statement, balance sheet, and statement of changes in equity. In this week transaction recording is also revised.

Weeks 3 and 4 cover the recognition and measurement of provisions and accounting for company income tax including the calculation of the current/deferred income tax balances.

Week 5 deals with the recognition and measurement of inventories, property, plant and equipment and intangibles together with accounting for the related depreciation/amortisation.

Week 6 considers accounting for business combinations, non-current assets held for resale and impairment of assets.

Week 7 is the first of six weeks devoted to the study of consolidation accounting. The study begins with the principles of consolidation accounting including the control criterion, the entity concept, the consolidation process, the pre-acquisition entry and the preparation of a consolidation worksheet.

Week 8 covers the elimination of intra-entity transactions within a consolidated group including tax effect entries.

Week 9 considers the consolidation topic of minority interests and its impact on the consolidation worksheet and process.

Week 10 covers the more applied issue in consolidation accounting of indirect ownership interests.

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 completes the study of consolidation accounting by examining the additional techniques used in the compilation of a consolidated statement of cash flows.

Week 13 recaps the main techniques of consolidation accounting to assist students with their final exam preparation.

| Week | Beginning | Topic/s | Ch | Tute Assignment For the following week |
|-------------------------|-------------------------------|---------------------------------------------------------------------|----------------------|-------------------------------------------------------------------------------|
| 1 EE | August 1 | Accounting Standards Concepts Shareholders' Equity | 1 2 3 | DQ's 1 & 8 P's 2, 11, 14, 16, 21, 23 & 24 P 6 |
| 2 EE | August 8 | Accounting Policies Balance Sheet & Income Statement | 13 14 | Ex's 4, 6 & 7 P's 7 & 8 Lecture handout - journals |
| 3 & 4 RD | August 15 & 22 | Provisions & Corporate Income Tax | 4 6 | Ex 5 & P 4 Ex's 2 & 3: P's 1 & 5 |
| 5 RD | August 29 | Inventories Fixed Assets & Intangibles | 7 8 9 | Ex 2: P 4 Ex's 2 & 6: P 2 DQ 11: P 2's & 3 |
| 6 RD | Sept 5 | Business Combinations & Impairment | 10 11 | Ex's 1, 6 & 7: P 4 DQ 6: Ex's 1 & 2: P 5 |
| 7 LH | Sept 12 | Consolidation Method: Principles | 16 17 | DQ's 3 & 6 Ex's 1, 3 and P's 1 & 6 |

| | | | | |
|--|-----------------------------|------------------------------------------------------|--|--|
| | Sept 19 & 26 | Mid-Semester Break Prepare written report | | |
|--|-----------------------------|------------------------------------------------------|--|--|

| | | | | |
|------------------------|---------------|-----------------------------------------------------------|---------------------|------------------------------------------------------------|
| 8 LH | Oct 3 | Consolidation Method: Intra-group transactions | 18 | DQ 1 Ex's 2 & 6 P's 2 & 7 |
| 9 LH | Oct 10 | Consolidation Method: Minority Interest | 19 | DQ's 1 & 2 Ex's 1 & 5 P's 1, 2 |
| 10 LH | Oct 17 | Consolidation Method: Indirect Ownership Interests | 20 | DQ's 1 & 2 Ex's 2 & 3 P's 1 & 4 |
| 11 LH | Oct 24 | Consolidation Method: Foreign Subsidiaries | 21 | DQ 3 Ex's 2 & 5 P's 1 & 2 |
| 12 LH | Oct 31 | Consolidation Method: Cash Flow Statements | E, A & K | To be advised |
| 13 EE | Nov 7 | Consolidation Revision | | |