

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



**ACCG 223
CONTEMPORARY DIMENSIONS OF FINANCIAL ACCOUNTING**

UNIT OUTLINE

2nd SEMESTER, 2007

Unit convenor: Dr Elaine Evans

Prerequisites: ACCG 101 (P); 32 credit points

Credit points: 4

Contact hours per week: 4

You 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 convener.

ABOUT THIS UNIT

ACCG 223 is an elective unit which seeks to provide an intermediate level of coverage of the principles and concepts relating to financial reporting. The unit builds on introductory accounting knowledge, exploring issues in greater depth and challenging you to question the foundations of financial accounting. You will explore specific financial reporting procedures and their conceptual foundations. Corporate collapses, creative accounting and other interesting contexts will be used to understand the importance of reliable financial statements.

ACCG 223 is a 4 credit point unit, which means the work load is more demanding than some other 200 level units. On average students should devote a minimum of 8 hours of study time per week to the unit.

This unit is relevant to students undertaking either accounting or finance programs. Professionals in accounting and finance need technical knowledge, the ability to critically analyse problems and good communication skills. This unit aims to improve your skills across these three areas.

ACCG 223 is an excellent preparatory unit for further study in advanced accounting including ACCG 310 and ACCG 323. This unit provides a bridge between the highly simplified accounting context assumed in introductory financial reporting units and the complex accounting standards and procedures required to be mastered to successfully complete final year accounting units.

TEACHING STAFF

Staff responsible for the presentation of ACCG 223 are as follows:

| <u>Name</u> | <u>Room</u> | <u>Email</u> | <u>Telephone</u> |
|--|-------------|-------------------------|------------------|
| Elaine Evans <u>Lecturer and convenor</u> | E4A 331 | eevans@efs.mq.edu.au | 9850-6477 |
| Neil Fargher <u>Lecturer</u> | E4A 235 | nfargher@efs.mq.edu.au | 9850-9281 |
| James Hazelton <u>Lecturer</u> | E4A 239 | jhazelton@efs.mq.edu.au | 9850-8486 |
| Brian Millanta <u>Lecturer</u> | E4A 328 | bmillanta@efs.mq.edu.au | 9850-8547 |
| Sue Wright <u>Lecturer</u> | E4A 333 | swright@efs.mq.edu.au | 9850-8521 |
| <u>Tutors</u> | | | |
| Tracy Cui TBA | E4A 353 | qcui@efs.mq.edu.au | 9850-4855 |

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.

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. You are encouraged to seek help from them during the set consultation hours. Your tutor will advise you of her/his arrangements for consultation.

TIMETABLE FOR LECTURES

ACCG 223 requires that students attend one two-hour lecture every week. Lecture places have been allocated by the university's on-line enrolment system.

| <u>Day</u> | <u>Time</u> | <u>Room</u> |
|------------|-------------|-------------|
| Tuesday | 11am – 1 pm | W5C 220 |

TIMETABLE FOR TUTORIALS

ACCG 223 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 6 August.

Tutorial places have been allocated by the university's on-line enrolment system. Some tutorials are already full. If you do not already have a tutorial time, then you must enrol on-line as soon as possible.

You must attend your official tutorial class. Tutors will keep attendance records and you can only sit for the class tests in your registered tutorial. Please ensure that you know

your tutors name and your tutorial number as this information is required to be noted on your mid-semester case.

REQUIRED TEXT AND PRESCRIBED UNIT MATERIALS

The textbook provides a structured reference for studying the specific accounting procedures needed to be mastered in order to understand the lectures and tutorial problems. Rather than work through the textbook chapters in order, this unit uses the textbook as a reference material to provide the necessary technical background to each topic.

Deegan, C. 2007. *Australian Financial Accounting*, 5e, McGraw Hill, North Ryde

Cases and other reading materials will be available in lectures/tutorials and on the unit's WebCT.

RESOURCES ON THE WEB

ACCG 223 lecture handouts, notices and practical 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. From Week 2 onwards you must download the lecture outlines. They will not be provided in the lecture. Check the web site on a weekly basis for notices, updates etc.

LEARNING OUTCOMES OF THE UNIT

The overall learning objective of this unit is for you to develop your technical and analytical skills, in particular your professional communication skills in accounting through participation in class discussion, case studies and reading academic articles because a high level of oral and written communication skills are required of a professional accountant.

The specific 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 that you have the assumed knowledge for this unit including:
 - explaining accounting concepts, and demonstrating technical skills in preparing entries and reports as studied in ACCG100 and 101

- b) Demonstrate an understanding of theories of accounting including:
 - describing and explaining normative and positive theories of accounting;
 - the ability to evaluate the limitations of various accounting theories

- c) Demonstrate understanding of the IASB *Framework* including:
 - understanding the purpose of a conceptual framework in accounting;

- critically evaluating the benefits of the Framework;
 - the ability to discuss the structure and elements of the Framework;
 - demonstration of an understanding of the role of the Framework in standard setting
- d) Demonstrate understanding of IFRS in Australia including:
- the role and functions of the IASB;
 - critically evaluating the benefits of adopting IFRS in Australia;
 - understanding the role of the AASB and its relationship to the IASB
 - the use and abuse of accounting standards
- e) Demonstrate an understanding of the role of accounting research including:
- The nature of research in accounting;
 - Concepts such as ‘taking a bath’;
 - Concepts of recognition and measurement of assets
 - Explanations of possible motivations in policy decisions in relation to asset valuation
- f) Demonstrate an understanding of the theory and practice of corporate social responsibility reporting including:
- The nature of corporate social responsibility reporting
 - The key ethical arguments and theoretical perspectives relating to the provision of corporate social responsibility reporting
 - The regulatory requirements for corporate social responsibility reporting
 - The current trends relating to corporate social responsibility reporting
 - Possible frameworks for corporate social responsibility reporting
 - The limitations of corporate social responsibility reporting
- g) Demonstrate understanding of the theory and practice of judgment and measurement in financial accounting including:
- The accounting for identifiable intangibles, R & D and goodwill.
 - An understanding of the general principles relating to the timing of revenue recognition and how the existence of particular conditions associated with a sale may modify these general principles;
 - An understanding of the issues associated with revenue recognition under long-term construction contracts and the requirements of AASB 111 Construction Contracts.
- h) Demonstrate an understanding of the theory and practice of accounting for leases as an opportunity for creative accounting including:
- Identifying of an operating and finance lease;
 - Demonstrating an understanding of the differential impact of an operating and a finance lease on financial statements and performance measures;

- Explanation of the rationales for leasing, from both an accounting and finance perspective;
 - The ability to re-calculate basic accounting measures after re-classifying an operating lease as a finance lease.
- i) Demonstrate an understanding of the theory and practice of basic consolidation including:
- Understand the reasons for preparing consolidated financials statements
 - Understand the basics involved in preparing consolidated financial statements.
 - Be able to prepare a basic consolidation worksheet.
 - Understand the problems in identifying a controlled entity and the history of abuse arising from not accounting for controlled entities.
- j) Demonstrate an understanding of the theory and practice of reporting cash flow including:
- Understand the theory behind reporting cash flow, including the benefits and limitations of the definition of ‘cash’ and ‘cash equivalents’.
 - Revise and enhance your ability to prepare a statement of cash flow using both the direct and indirect methods.
 - Consider the implications of positive accounting theory for examining management incentives and ability to misrepresent cash flow from operations.
- k) Demonstrate an understanding of the theory and practice of corporate collapses and creative accounting including:
- The issues surrounding the collapse of Worldcom.

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. Professional communication skills (including analytical skills) are valued by the accounting profession and are embedded in the various assessment tasks including the final examination. Class participation in discussion and the mid semester written report are directed at enhancing your generic skills. Weekly tutorial assignments will also include a discussion of published research undertaken by academics in the Department of Accounting and Finance.

TEACHING AND LEARNING STRATEGY

The teaching strategy of ACCG 223 recognises that students must take personal responsibility for the learning experience. The teaching philosophy of ACCG 223 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. Usually lectures will go beyond the textbook material.

- **Private study – learning by doing**

ACCG 223 relies heavily on assignment/case-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 and case studies that have been prescribed. In the majority of weeks there will be pre-seminar questions. They will not be discussed in class, but unless you have attempted them you will not be able to complete the required tutorial questions.

Using the concepts and techniques presented in lectures and textbook materials, you are then required to prepare **written answers** to weekly assignment questions and exercises. This requirement does not apply to the pre tutorial questions. In most cases you will not be able to answer the tutorial questions unless you know the answers to the pre tutorial questions. For the tutorial questions, do not come to the tutorial with only highlighted sections of the textbook! If you prepare written answers, these are a very good resource for examination preparation and also practice your writing skills!! Also you will not be allocated marks for participation without written answers.

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. You will be required to present to the class your answer to one or more of the questions.

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.

The tutorials should be viewed as an active forum for any problems or difficulties that you have experienced when preparing written answers. Ask your tutor questions and make good use of consultations hours, not just towards the examination but all through the semester.

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

After all the tutorials have taken place, copies of the practical solutions to the relevant

weekly assignment will be placed 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. Form study groups to help clarify issues but try to work independently on the questions so that you do not copy other students' answers.

RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES

In ACCG 223 you must demonstrate that you have satisfied all 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.

The final assessment (SNG) in ACCG 223 is based on raw scores calculated as follows:

| | |
|--|------------|
| | <u>%</u> |
| Tutorial attendance and participation | 10 |
| Reading financial accounting | 15 |
| Two short tests completed in tutorials | 10 |
| Case study to be completed during the mid-semester break | 15 |
| Final exam | <u>50</u> |
| | <u>100</u> |

The tutorial attendance and participation, short 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 223 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 (50%)

a) Tutorial attendance and participation (10 %)

You are expected to bring written answers to the tutorial questions. These are an invaluable resource for in-class tests and exam revision. You will be set questions for presentation to the class. Marks will be allocated to you if you both attend and participate in answering questions and in discussion.

b) Reading financial accounting (15%)

One of the objectives of this unit is to help you develop reading and writing skills for further study and for the workplace. In the 1st lecture you will receive a booklet of published articles by academics in the Department whom you will meet in this unit, ACCG310 and ACCG323. You are required to follow the instructions in the booklet as they relate to each of the six articles. You are expected to complete the answers to all the articles and your assessment will be made up of your five best marks. A marking guide is available for each article. Drafts of your answers will be discussed in tutorials in Weeks 2, 4, 6, 8, 11 and 13. Details of submission dates will be available on the web.

c) Short in-class tests (10%)

Throughout the semester there will be two in-class tests. The purpose is to give you a focus for your study and to give you timely feedback on your performance. The questions will be closed book, answered under examinations conditions and of examination standard. Your tutor will mark the tests in the same way as an examination question and give you detailed feedback on your performance. You must sit for the test in your assigned tutorial and there are no supplementary tests if you are absent.

d) Case study (15%)

You will be advised of the content, format and assessment criteria later in the semester. The requirements of the case study will be made available on the web on Friday 14 September. The assignment is due on Tuesday 2 October by 5 pm. Please submit your assignment to ERIC, Ground Floor E4B. **Do not submit the assignment to your tutor.**

FINAL EXAM (50%)

The final exam of ACCG 223 is designed to test your knowledge and skills against the learning objectives of the unit.

To pass this unit you must have attempted every assessment task - that is, satisfactory tutorial attendance and participation; two in-class tests and the case study; your overall performance must be satisfactory; and you must pass the final examination.

The University Examination period in the Second Half Year 2007 is from Wednesday 14 November to Friday 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>.

Some 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, case studies etc each week.
- Attend and participate in all tutorials
- Complete independent solutions to tutorial discussion questions, exercises, “Reading Financial Accounting” and problems
- Form study groups at the beginning of semester
- Participate in the in-class tests and use them to monitor your own progress against the unit learning objectives. A low score on an in-class test is a signal that you need to do more work on the topic.

- Check your solutions to the practical tutorial assignments against the “suggested solutions” that are available at the end of each week on a timely basis.
- Use the consulting times anytime you need extra help not just before the exam.

SPECIAL CONSIDERATION AND SUPPLEMENTARY EXAMS

The only exception to not sitting an examination or in-class test at the designated time is because of documented illness or unavoidable disruption. Where you did not sit for an examination 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>

The most common form of Special Consideration is a Supplementary Examination because it is impossible to quantify the effect of illness on your performance. However, this does not apply to the 1st and 2nd in-class tests and there will no supplementary tests available to students. For the final examination, you will not be granted a Supplementary Examination if you do not meet the Division’s requirements.

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. This is particularly relevant for your Written Report to be prepared in the mid-semester break

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. To illustrate, a student who receives 25 out of 30 in continuous assessment and 33/100 in the final, will not receive an SNG of 58. The reason is that students must pass the final exam in order to achieve a passing grade in ACCG223 (as explained on page 9). 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. 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>.

GRADE APPEALS

A grade appeal procedure exists to address **very rare cases** where a procedural irregularity occurs in the assessment of a student's performance and details can found at http://www.efs.mq.edu.au/services/how_grade.htm.

SCHEDULE OF LECTURES AND TUTORIAL QUESTIONS

| Week | Date | Topic/s | Tutorial Assignment - Some answers require self-study; In some weeks there will be additional questions |
|-----------------|---------------|--|--|
| 1 EE | Jul 31 | Introduction to the unit Introduction to the regulatory environment Reading skills in an accounting context Deegan Chapter 1: Sections 1.1; 1.2; 1.3 “Readings in Financial Accounting” | No Tutorial |
| 2 EE | Aug 7 | Conceptual framework of accounting Deegan Chapter 2 | Writing tasks and journal entries (download from the web) Article #1 “Readings in Financial Accounting” |
| 3 EE | Aug 14 | Theory in accounting: what is it: why do we care? Deegan Chapter 3 (excluding 3.9) | <u>Pre tutorial questions</u> Deegan: 2.1; 2.2.; 2.5 <u>In-class discussion</u> Deegan: 2.7; 2.10; 2.19; 2.23; 3.27 |
| 4 EE | Aug 21 | IFRS in Australia: including regulation, political influence and accounting policy choice Deegan Chapter 1: 1.4; 1.5; 1.8; C3: 3.9 | <u>Pre tutorial questions</u> Deegan: 3.19; 3.14; 3.8; 3.10 <u>In-class discussion</u> 3.20; 3.21; 3.29; 3.30; 3.32 Article #2 “Readings in Financial Accounting” |
| 5 EE | Aug 28 | A review of fixed assets including: the role of accounting research, big baths and writeoffs Deegan Chapters 4, 5 & 6 | 1st in-class test on material covered in Weeks 1-4 lectures and related tutorials Deegan: 1.19; 3.32; 3.37 |
| 6 JH | Sept 4 | Corporate social responsibility reporting, or lack thereof: non- financial measurement Deegan Chapter 37 | <u>Pre tutorial questions</u> Deegan: 4.6; 4.11; 5.1; 5.5; 5.3; 6.1; 6.4; 6.5 <u>In-class discussion</u> 4.10; 4.19; 4.27; 4.28; 5.19; 5.24; 6.20; 6.21; 6.23 Article #3 “Readings in Financial Accounting” |

| | | | |
|----------|--------------|--|--|
| 7 NF | Sept 11 | Judgement and measurement in accounting: the case of expenses including R & D and other intangibles Deegan Chapter 8 | <u>Pre tutorial questions</u> Deegan: 37.1; 37.2; 37.3 <u>In-class discussion</u> 37.14; 37.17; 37.23; 37.27; 28; 37.33 |
| | Sept 18 & 25 | Mid-Semester Break Case Study Analysing the Fall of WorldCom Inc. | No tutorials |
| 8 BM | Oct 2 | Judgement and measurement in accounting: the case of revenue recognition including accounting for long term contracts Deegan Chapter 16 | <u>Pre tutorial questions</u> 8.2, 8.10, 8.11 <u>In-class discussion</u> 3.36, 8.34, 8.29 + Class hand-out with additional questions Article # 4 “Readings in Financial Accounting” |
| 9 SW | Oct 9 | Creative accounting: accounting for leases Deegan Chapter 11: <u>Excluding</u> 11.4 – 11.8 | <u>In-class discussion</u> Deegan: 16.1; 16.7; 16.10; 16.11; 16.13; 16.15 |
| 10 NF | Oct 16 | Consolidated accounts: including basic consolidation, goodwill and cooking the books Deegan Chapter 28 | 2 nd in-class test on the material covered in class sessions 5-9 and related tutorials Deegan: 11.7 (lessee only); 11.8 (a) (b) (d) (lessee only). |
| 11 NF | Oct 23 | The cash flow statement revisited: theory, practice and creativity Deegan Chapter 20 | <u>Pre tutorial questions</u> 28.1 – 28.9; 28.12 <u>In-class discussion</u> 28.10, 28.19, 28.21, 28.22, 28.23 Article #5 “Readings in Financial Accounting” |
| 12 NF | Oct 30 | Corporate collapses and creative accounting: a case study | <u>Pre tutorial questions</u> 20.2, 20.3, 20.4, 20.10 <u>In-class discussion</u> 20.16, 20.17, 20.18, 20.5 |
| 13 EE | Nov 6 | Review The final exam will be comprehensive. Some guidance on content will be provided as part of the final review. | Case questions: Analysing the Fall of WorldCom Article # 6 “Readings in Financial Accounting” |

