



**DIVISION OF ECONOMIC AND FINANCIAL STUDIES
DEPARTMENT OF ACCOUNTING AND FINANCE
POSTGRADUATE DIPLOMA IN ACCOUNTING
& MASTER OF ACCOUNTING**

ACCG859 CURRENT ISSUES IN ACCOUNTING

UNIT OUTLINE

TRIMESTER 1, 2005

ABOUT THIS UNIT

This is an advanced unit in financial accounting which examines a broad range of issues of current concern to both the accounting profession and accounting information users. As such, it places considerable demands upon you to ensure that you remain up to date in your study and readings. The objective of the unit is for you to develop an ability to critically evaluate accounting policies and procedures. The unit provides an evaluation of various theoretical issues where you will be challenged to question the foundations of financial accounting and to think critically about current issues in financial accounting. Also, you will be required to consider the impact of theory on practical accounting issues.

This unit enables you to develop your **generic skills**, particularly your communication skills through participation in class discussion and your analytical and critical analysis skills to evaluate, synthesise and judge through research and essay writing. Weekly discussion questions require you to find information and material from a variety of sources independently of the texts and seminar material and to discuss your findings in class. The research essay requires you to be an independent researcher with a high level of writing skills. High levels of oral and written communication skills are a professional requirement.

TEACHING STAFF

Lecturer-in-charge for 2005: Dr Elaine Evans, C5C Room 403, Telephone (02) 9850 6477, Fax (02) 9850 8497 and email eevans@efs.mq.edu.au.

Lecturers in Trimester 1 are:

Claire Locke, email clairelocke@hotmail.com

Clayton Thompson, email clayton@bwd.com.au.

LEARNING OUTCOMES

After studying this unit, you should be able to:

- Understand and discuss different types of theories in accounting
- Describe the (conceptual) framework of accounting and analyse how accounting standard setting developed and why accounting is regulated
- Explain why there is a need for global accounting standards and critique the obstacles to successful implementation of global accounting standards
- Examine the measurement process in accounting and Research and write about the use of judgement by accountants
- Discuss the importance of studying ethics in an accounting course and understand why ethical behaviour is important for accountants
- Understand the reason creativity is practised in accounting and appreciate the consequences of creative accounting
- Understand the requirements of CLERP in relation to accounting and explain the role of accounting in corporate governance processes
- Understand the requirements of AASB 2 *Share-based payment* and the controversy behind its introduction
- Evaluate the advantages and disadvantages of providing financial, social and environmental information
- Understand the accounting requirements for the public and not-for-profit sector and evaluate the usefulness of the information

TEACHING AND LEARNING STRATEGY

The unit consists of a weekly three hour seminar. The unit is largely assignment-based learning. In seminars, you are expected to understand the main concepts and techniques that relate to the subject matter. Also you are expected to read specified references. Using the concepts presented in seminars or references, you are required to prepare **written** answers to weekly assignments. This is the best way to prepare for the final examination.

Answers to weekly assignments will be discussed in seminars. It is expected that you will actively participate in seminar discussion. The seminars should be viewed by you as an active forum for any problems or difficulties that you are experiencing with the subject content. Lecture outlines will be placed on the Macquarie University Library ACCG859 reserve unit folder webpage at <http://www.lib.mq.edu.au/resources/reserve/> and in ERIC Room 244, Building C5C from Week 3. No model answers to the discussion questions are made available to you.

UNIT ASSESSMENT AND GRADING POLICY

The following weightings apply for unit assessment:

2 in-class essays	20%
Research essay	20%
Case study	5%
Final Examination	55%

It is expected that you will attempt all assessment tasks and you will be penalised if you do not. Academic Senate has a set of guidelines on the distribution of grades across the range from fail to high distinction. Your result will include one of these grades plus a standardised numerical grade (SNG). Your SNG is not necessarily the sum of your assessment marks. Your SNG is a ranking of students based on raw marks obtained from all facets of the unit assessment. For an explanation of the policy see:

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

Irrespective of accumulated raw marks, you are required to pass the final examination to gain a passing SNG in this unit. The questions in the final examination will be based on the prescribed textbooks and the seminar discussion questions. More details will be given towards the end of the term. Note that the best preparation for the in-class essays and the final examination is written answers to the weekly assignments and discussion of assignment questions in the seminars.

IN-CLASS ESSAYS

In this unit, the mid-term test has been replaced by two in-class essays in Weeks 2 and 9 (see the Unit Program for the broad essay topics). Essays are worth 10% each. This is a closed book assessment task (no resource materials are allowed). The essay questions are based on the relevant chapters in the customised texts – memorising the lectures outlines is not sufficient to answer the questions.

In Week 2, staff from NCELTR will present a workshop on essay writing and at the conclusion of that lecture you will be expected to write the first essay. Marking criteria will

be similar to the research essay (see Appendix 4). You must attend your assigned class, and if you do not attend that class there will be no further opportunity for you to write the essays.

ESSAY WRITING WORKSHOPS

In association with NCELTR, the lecturing staff on this unit will run workshops to assist students to write the **research essay**. These workshops are in addition to the lectures and are at no cost to students. Students whose assessment in the first in-class essay is less than satisfactory are strongly advised to come, however all students are welcome. The workshops will be held on Tuesday 15 February and Tuesday 15 March from 3pm to 5pm and 6pm to 8pm. The location will be advised in Week 2.

RESEARCH ESSAY

This component is worth 20% and should be submitted **without exception on or before 6pm on Wednesday 30 March and should be placed in a marked box inside ERIC Room 244 Building C5C.** Simply attach the cover sheet (Appendix 2) and the essay feedback sheet (appendix 2) to the essay by stapling on the left-hand corner. It is not necessary to place the essay in any type of binding or plastic cover.

You are required to write a research essay addressing the following question:

‘In deciding when an ethical problem exists, and in determining what constitutes ethical behaviour, the [accounting] practitioner must often rely primarily upon his or her own professional judgment’.

Required:

Discuss the role of professional judgment in determining what constitutes ethical behaviour. As a minimum, your answer must include a discussion of the following:

- **Ethical theories**
- **The Joint Code of Professional Conduct**
- **The nature of professional judgment in accounting**

Do not limit your discussion to these three areas. You are required to undertake independent research to write this essay. The essay integrates two topics which you will study this trimester.

You are required to research at least seven articles in addition to the prescribed textbooks.

- You must attach a cover sheet and the feedback sheet (see Appendix 1 and 2).
- Your essay must not exceed 2,500 words in length.
- Your answer must be typed, double-spaced, on one side of A4 paper with line spacing between paragraphs.
- Your essay must be properly referenced using the **Harvard system** (see www.lc.unsw.edu.au/onlib/ref.html and www.lc.unsw.edu.au/onlib/ref1.html). **Failure to comply with this requirement will result in loss of 50% of the total marks allocated to your essay.**

You will receive an evaluation form for your essay to provide feedback across a range of relevant criteria to good essay writing. It is suggested that you examine the feedback form before you start writing your essay.

Plagiarism (intentional or unintentional) is a serious offence and will not be tolerated. You are strongly advised to read the University's policy on **plagiarism** (see www.student.mq.edu.au/plagiarism/). The policies and procedures explain what is plagiarism, 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.

CASE STUDY

The customised publication from Wiley contains five case studies. You will be assigned one of the case studies and you will be required to answer the questions. Your answer should be approximately 650 words, typed and is to be submitted to your lecturer in Week 11. This is an assessable piece of work and is compulsory.

REQUIRED READINGS

For the purpose of completing this unit, students should have a copy of both the following prescribed textbooks:

ACCG859 Current Issues in Accounting, prepared by Elaine Evans, McGraw-Hill 2004.
Current Issues in Accounting, compiled by Elaine Evans, John Wiley & Sons 2005.

SUMMARY OF UNIT PROGRAM

WEEK	DATES	TOPIC	REQUIRED READINGS
1	24/25* Jan	Introduction and theories in Accounting	Topic 1- McGraw-Hill Topic 1 - Wiley
2	31 Jan/2 Feb	NCELTR Essay Writing Skills In-class essay on Theories in Accounting	
3	7/9 Feb	Australian Conceptual Framework and Standard Setting	Topic 5 - McGraw-Hill Topic 3 – Wiley http://www.aasb.com.au Framework for the Preparation and Presentation of Financial Statements
4	14/16 Feb	International Financial Reporting Standards	Topic 2 – McGraw-Hill Topic 4 - Wiley
5	21/23 Feb	Judgment and Measurement	McGraw-Hill Topic 5, pp. 453-466 Topic 5 - Wiley
6	28 Feb/2 Mar	Ethics in Accounting	Topic 4 – McGraw-Hill Topic 6 - Wiley
7	7/9 Mar	Corporate Collapse and Creative Accounting	Topic 3 – McGraw-Hill Topic 7 - Wiley
8	14/16 Mar	CLERP 9 and Corporate Governance	http://www.bdw.com.au/news/clerp9guide.pdf Topic 8 - Wiley
9	21/23 Mar	Recent controversies in accounting: Share-based payments In-class essay on CLERP 9	http://www.johnwiley.com.au/highered/applyingias
10#	28**/30 Mar	Corporate Social Responsibility Accounting	Topic 6 – McGraw-Hill Topic 10 - Wiley
11	4/6 April	Public Sector and Not-for-Profit Reporting	Topic 7 – McGraw-Hill
12	11/13 Apr	Revision	

* Please note change to Tuesday for this week only

** Public holiday – alternate arrangements will be advised

Essay due this week

APPENDIX 1 (ATTACH TO RESEARCH ESSAY)

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FEEDBACK ON RESEARCH ESSAY

Name:

Student Number:

Line of argument: /15

- Does your essay fully address the question?
- Is the line of argument clearly stated in an introduction?
- Are the facts used to support your argument accurate?
- Have you used relevant examples/evidence to develop your argument?
- Does the argument move towards a view-point in a persuasive way?

Clarity of structure: /7.5

- Does the introduction preview the content of your essay?
- Are the paragraphs linked in a clear and logical way?
- Does the conclusion present an appropriate "round-up" of the issues that have been discussed?

Referencing: /4.5

- How up-to-date are your resources?
- Have you cited your references correctly?
- Are your references comprehensive?

Presentation: /3

- Is the essay formatted according to the guidelines in the unit outline?
- Grammar, sentence structure, punctuation, spelling

Scaled /30
/20

APPENDIX 2 (ATTACH TO RESEARCH ESSAY)
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RESEARCH ESSAY COVER SHEET

DUE DATE: 6PM WEDNESDAY 30 MARCH IN ERIC Room 244 Building C5C

Student Number:

Family Name:

Other Names:

Seminar Day and Time:

Certification

I hereby certify that this research essay 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 to which due reference has not been made in the assignment.

Signed:

Date:

APPENDIX 3
ACCG859
FEEDBACK ON IN-CLASS ESSAY

Name:

Student Number:

Line of argument:

/10

- Does your essay fully address the question?
- Is the line of argument clearly stated in an introduction?
- Are the facts used to support your argument accurate?
- Have you used relevant examples/evidence to develop your argument?
- Does the argument move towards a view-point in a persuasive way?

Clarity of structure:

/6

- Does the introduction preview the content of your essay?
- Are the paragraphs linked in a clear and logical way?
- Does the conclusion present an appropriate "round-up" of the issues that have been discussed?

Written Expression:

/4

- Appropriate style
- Grammar, sentence structure, punctuation, spelling

Scaled **/20**
 /10

WEEK 1

INTRODUCTION AND OVERVIEW OF ACCOUNTING THEORIES

Readings for this week's lecture

McGraw-Hill Topic 1

Wiley Topic 1 pp. 1-11

You should read this unit outline very carefully. It contains important information about this unit and it will be assumed that you understand this information. If anything is unclear, please contact Dr Elaine Evans.

WEEK 2

NCELTR ESSAY WRITING SKILLS

IN-CLASS ESSAY ON THEORIES IN ACCOUNTING

Seminar Discussion Questions from Week 1 – written answers are expected

1. Briefly explain what is meant by the term 'theory'. Why do Godfrey et al (2003) argue that it may be impossible to develop a theory of accounting?
2. Is the study of financial accounting theory a waste of time for accounting students? Use relevant examples to explain your answer.
3. What are some of the major strengths and weaknesses of historical cost accounting? According to Godfrey et al (2003), why does historical cost accounting survive?
4. Contrast the role of normative accounting theories with the role of Positive Accounting Theory.
5. Professional accountants are expected to be objective when performing their duties. How would you reconcile this expectation with the central assumptions of Positive Accounting Theory? Are they mutually exclusive?
6. Why would firms voluntarily present certain information, such as their performance with regard to the environment?
7. Early positive research investigated evidence of share price changes as a result of the disclosure of accounting information. However, such research did not explain why particular accounting methods were selected in the first place. How did positive accounting theory fill this void?

WEEK 3

AUSTRALIAN CONCEPTUAL FRAMEWORK AND STANDARD SETTING

Readings for this week's lecture

McGraw-Hill Topic 5

Wiley Topic 3 pp. 16-96

<http://www.aasb.com.au>

Framework for the Preparation and Presentation of Financial Statements

This week there are no seminar discussion questions. However, make sure that you read the prescribed textbooks and the *Framework* to enhance your understanding the material.

WEEK 4

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Readings for this week's lecture

McGraw-Hill Topic 2

Wiley Topic 4 pp. 97-148

Seminar Discussion Questions from Week 3 – written answers are expected

1. Questions from McGraw-Hill Topic 5

- a) Briefly outline some arguments in favour of eliminating the regulation pertaining to financial accounting.
- b) Is it realistic to assume, in accordance with 'public interest theory', that regulators will not be driven by their own self-interest when designing regulations?
- c) What advantages or benefits have been advanced by standard-setters to support the development of conceptual framework projects? Do you agree that in practice such benefits will be achieved?

2. Questions from Wiley Topic 3

- a) What is meant by saying that accounting information should be 'decision useful'?
- b) Applying the *Framework* is subjective and requires subjective judgment. Would the IASB and the AASB be better off to abandon the *Framework* and instead rely on a very active interpretations committee that develops detailed guidance in response to requests from constituents?
- c) The *Framework* defines an asset as a resource from which future economic benefits are expected to flow. 'Expected' means it is not certain, and involves some degree of probability. At the same time the *Framework* establishes, as a criterion for recognizing an asset, that 'it is probable that any future economic benefit associated with the item will flow to or from the enterprise'. An assessment of probability is required. Is there a problem in including the notion of probability in both the asset definition and recognition criteria?
- d) Tarca (2004) describes three changes to Australian standard setting as a result of the adoption of international financial reporting standards. State the reasons why you agree or disagree with her arguments.

WEEK 5

JUDGMENT AND MEASUREMENT

Readings for this week's lecture

Wiley Topic 5, pp. 149-182

McGraw-Hill Topic 5, pp. 453-466

Seminar Discussion Questions from Week 4 – written answers are expected

1. Questions from McGraw-Hill Topic 2

- a) Why do accounting and reporting principles differ throughout the world?
- b) What benefits are gained from establishing international accounting standards? What obstacles stand in the way of international standards/
- c) How will the IASB enforce international standards?

2. Questions from Wiley Topic 4

- a) The IASB's objective is to develop global accounting standards in the public interest. In a global context what does 'public interest' mean and how can it be determined?
- b) Each country has its own laws for crime, taxation, health and safety etc. Is it in a country's best interest to develop its own accounting standards in accordance with its business and government context?
- c) Why did the European Union decide to require all listed companies to prepare their consolidated financial statements in accordance with IFRSs?

WEEK 6

ETHICS IN ACCOUNTING

Readings for this week's lecture

McGraw-Hill Topic 4

Wiley Topic 6 pp. 183-240

Seminar Discussion Questions from Week 5 – written answers are expected

1. Questions from Wiley Topic 5

- a) What is the difference between accuracy and reliability in measurement?
- b) Explain what is meant by 'subjective value' and how it differs from discounted present value.
- c) It is often argued that cost and value are different concepts. Are they? How do they interrelate?
- d) Do you believe that all intangible assets should be amortised? Why or why not?

2. Questions from McGraw-Hill Topic 5

- a) What are the professional judgments issues for accountants when measuring SGARAs?
- b) Why do SGARAs need their own accounting standard?

WEEK 7

CORPORATE COLLAPSE AND CREATIVE ACCOUNTING

Readings for this week's lecture

McGraw-Hill Topic 3

Wiley Topic 7 pp. 241-265

Seminar Discussion Questions from Week 6 – written answers are expected

1. Questions from McGraw-Hill Topic 4 The Collapse of Enron

One of these questions will be allocated to each student to prepare an answer.

- a) Who were the key stakeholders involved in, or affected by, the collapse of Enron? In what ways did shareholders benefit from Enron's actions? In what ways were shareholders harmed?
- b) Looking at the evidence, what do you believe were the internal and external causes of Enron's collapse? What factor/s most contributed to the collapse?
- c) Insider trading occurs when a person uses confidential (inside) information about a company to buy or sell the company's shares for gain. What evidence can you find in this case of insider trading?
- d) Do you see any actions on the part of Enron management that ought to be considered socially irresponsible?
- e) Was Watkins justified in taking the actions she did? Why/why not? Do you think there is anything more that Watkins should or could have done to blow the whistle?
- f) In reviewing the actions of Enron's accountants, Arthur Andersen, do you see any reasons to believe the accounting firm acted unethically? If so, how? If not, why not?
- g) How would you describe Enron's corporate culture? Was the culture created by Enron's top executives partly to blame for what went wrong at Enron?
- h) In what ways might the behaviour of various top executives at Enron foster a disregard for ethical standards in the actions of other Enron employees?
- i) Is there reason to be concerned about Enron's participation in the political process and the contributions it made to various politicians?
- j) How well did Enron's board fulfil its responsibilities? Why do you suppose the board did not do a better job?
- k) Was the compensation received by Lay and Skilling justified? Do you believe that the structure of executive compensation contributed in any way to the collapse of Enron?
- l) What steps can corporate managers, stakeholders in public companies and policy makers take to prevent a similar event from occurring in the future? Do you think these steps are justified?

2. Questions from Wiley Topic 6

- a) Discuss the significance of public confidence to the accounting profession.
- b) Describe the significance of ethical decision making in accounting.
- c) Why should an individual's personal code of ethics demand more than just compliance with laws and regulation?

WEEK 8

CLERP 9 and CORPORATE GOVERNANCE

Readings for this week's lecture

Wiley Topic 8 pp. 267-299

<http://www.bdw.com.au/news/clerp9guide.pdf>

Seminar Discussion Questions from Week 7 – written answers are expected

1. Questions from McGraw-Hill Topic 6

- a) In what areas of accountancy has there always been a need for subjective judgment and scope for creative accounting?
- b) In what ways can accounting standards be improved to restrict creative accounting?
- c) In what ways are the problems of creative accounting being tackled at present?
- d) What more radical solutions do you think should be considered?
- e) In what areas is it particularly difficult to restrict creative accounting?

2. Questions from Wiley Topic 7

- a) How can creative accounting be detected?
- b) In your opinion, are all businesses carrying out some form of creative accounting?
- c) Are financial statements reliable? Can they really be used for informed decision making?
- d) Will increasing regulation reduce creative accounting?

WEEK 9

SHARE-BASED PAYMENTS IN-CLASS ESSAY ON CLERP 9

Readings for this week's lecture

<http://www.johnwiley.com.au/highered/applyingias>

Seminar Discussion Questions from Week 8 – written answers are expected

1. Questions from Topic Week 8

- a) Describe the impact of good and bad corporate governance on the various stakeholders.
- b) Executives should be paid on the basis of their performance measures. They should not be paid a salary. Explain why you agree or disagree with this statement.
- c) Is it the role of the board to promote values and ethics within an organisation? If not the board, then whose role is it?

Other questions will be based on further readings to be supplied.

2. Questions from BDW Guide to CLERP 9

Read the guide and make particular note of the Act which affects accountants. You will be required to discuss at least one issue in class.

WEEK 10

CORPORATE SOCIAL RESPONSIBILITY ACCOUNTING

Readings for this week's lecture

McGraw-Hill Topic 6

Wiley Topic 10

Seminar Discussion Questions from Week 9 – written answers are expected

- a) What do you think will be the effect of expensing share options given to executives and directors?

Further questions to be advised.

WEEK 11

PUBLIC SECTOR AND NOT-FOR-PROFIT REPORTING

Readings

McGraw-Hill Topic 7

To be advised

Seminar Discussion Questions from Week 10 – written answers are expected

1. Questions from McGraw-Hill Topic 6

- a) Why do you think that the accounting profession has generally not released any accounting standards pertaining to the disclosure of environmental information?
- b) What is an externality, and why do financial accounting practices typically ignore externalities?
- c) What implications would a failure to provide balanced, unbiased environmental performance data have for the perceived credibility of the other information provided in an annual report?

2. Questions from Wiley Topic 10

- a) Describe in your own words the meaning of 'accountability'.
- b) Describe the theories that attempt to explain why corporations have an incentive to provide social information. Which do you find most persuasive, and why?
Do you believe that the reporting of the social effects of corporate operations should be required by law? Why or why not?
- c) It may be said that efforts to persuade companies to provide information about the social effects of their operations are based on political ideology, rather than sustainability. Give your opinions on this suggestion.

WEEK 12

REVISION

Seminar Discussion Questions from Week 11 – written answers are expected

1. Questions from McGraw-Hill Topic 7

a) Do you think that heritage assets should be classified as assets? Explain your answer with particular reference to the *Framework*?

Other questions will be based on further readings to be supplied.