

MACQUARIE
UNIVERSITY



FACULTY OF
BUSINESS AND ECONOMICS

ACCG835
International Accounting

Semester 2, 2010

Department of Accounting and Finance

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

Year and Semester: 2010, Semester 2

Unit convenor: Associate Professor Lorne Cummings

[Prerequisites / Corequisites:] N/A

Credit points: 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 one of the teaching staff in the unit.

ABOUT THIS UNIT

- This unit is concerned with issues in both financial and management accounting in international contexts. Particular attention is given to the impact of national culture and to how an understanding of cultural differences provides insights into cross-national differences in accounting behavior and practice. Students are also taught the fundamental principles of ethical behavior in accounting, and the different approaches used to 'manipulate' accounting numbers. Current issues in accounting standard-setting in an international context, including the debate on international harmonisation, are also examined. With respect to management accounting, the unit examines issues and problems facing international companies in organizing, managing, planning, controlling and evaluating their global operations. Credit points = 4.
- Given the continued globalisation of business and integration of capital markets, it is critically important that students understand the differences in accounting behaviour, principles and practices which underlie the accounting function within, and between, organisations across countries. The unit is a fundamental element in the Master of Commerce/Master of International Business degree, which is characterised by a diverse student cohort from a broad variety of cultural and geographic backgrounds.

TEACHING STAFF

Unit convenor:	Associate Professor Lorne Cummings
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CONSULTATION TIMES

Staff will be available for consultation; these times will be posted to unit homepage by Week 1 of semester. You are encouraged to seek help at a time that is convenient to you from a staff member teaching on this unit during their specified consultation hours. In special circumstances, an appointment may be made outside regular consultation hours. Staff will not conduct any consultations by e-mail. You may, however, phone staff during their consultation hours.

In order to gain access to staff located at levels 1, 2 and 3 of building E4A during their consultation hours please ring the staff member from the phones available in the lobby (phone numbers of relevant staff members will be provided on Blackboard and are available next to the phones).

Students experiencing significant difficulties with any topic in the unit are strongly encouraged to seek assistance immediately.

CLASSES

- There are 3 hours of contact for learning per week consisting of 1 x 3 hour seminar (lecture and tutorial).
- There are four classes in Semester 2/2010.
 - Class_01 Monday 2pm-5pm in E5A 131 (Parmod Chand)
 - Class_02 Tuesday 2pm-5pm in E4B 314 (Lorne Cummings)
 - Class_03 Tuesday 6pm-9pm in E4B 316 (Ami Lapidot)
 - Class_04 Thursday 2pm-5pm in ICM Manly (Parmod Chand)
- In order to avoid confusion and issues with overcrowding, which can raise serious occupational health and safety issues, students must attend their registered class each week to be recorded as present. Students will not be allowed to attend or be recorded as attending other classes in the unit.
- The timetable for classes can be found on the University web site at: <http://www.timetables.mq.edu.au/>

REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

ACCG835 International Accounting, Pearson, 3rd edition 2008, ISBN 9781442507715.

This text is a composite book made of selected chapters from three different texts published by Pearson Education Australia. By using a composite text we can focus only on chapters that are suited to this unit, which is cost-effective to the student. This text is available for purchase from the Co-Op book shop at Macquarie University. Three (3) copies of the custom publication are available in the reserve section of the library.

TECHNOLOGY USED AND REQUIRED

The university's on-line learning site "BLACKBOARD" is used to provide announcements, forms, some course materials (including weekly lecture notes) and to submit e-copies of the assignment. Login at <http://learn.mq.edu.au/>

Reading material for this unit is all available on the Library's e-Reserve. Access to the e-Reserve is made using the student number and password supplied to you by the Library.

LEARNING OUTCOMES

The learning outcomes of this unit will help students:

1. Understand some of the differences in accounting methods and disclosure practices we might find when we compare the reports of companies from different countries.
2. Appreciate how accounting and corporate disclosure is regulated in a range of different nations, and the role that the accounting profession, government and other bodies have in that regulation.
3. Recognise the cultural, economic, political and historical factors that help explain differences and similarities in patterns of accounting and regulation across nations, and how these factors may influence the move towards international harmonization.
4. Identify why ethical behaviour is fundamental to the practice of accounting and how accounting numbers can be manipulated.
5. Comprehend the issues and problems facing international companies in organizing, managing, planning, controlling and evaluating, their global operations.
6. Develop and strengthen their generic skills in the areas of report writing and topic discussion.

GRADUATE CAPABILITIES

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

Learning Outcome	1	2	3	4	5	6
Discipline Specific Knowledge and Skills	✓	✓		✓	✓	
Critical, Analytical and Integrative Thinking	✓	✓	✓	✓	✓	✓
Problem Solving and Research Capability		✓	✓	✓		
Creative and Innovative	✓		✓	✓	✓	✓
Effective Communication	✓	✓		✓	✓	✓
Engaged and Ethical Local and Global citizens	✓	✓	✓	✓		✓
Socially and Environmentally Active and Responsible	✓		✓	✓		
Capable of Professional & Personal Judgement and Initiative	✓	✓		✓	✓	

TEACHING AND LEARNING STRATEGY

- Students are expected to read all the materials for a particular session in advance of the class. All the material that does not come from the textbook (to which all students should have their own access) or via blackboard/e-reserve, will be provided by the lecturer.
- It is advisable that students make notes summarizing the reading material. These notes do not need to be submitted for assessment; however they will allow discussion of the questions and material in class. Specific tasks are given for some topics and the solutions are provided in class.
- An extensive use is made of group assignment preparation and a special feature is the presentation of reports to the class by groups during week's nine to twelve.

RESEARCH AND PRACTICE

- The unit contains a group research-based written assignment worth 25% of the overall assessment.
- The unit incorporates recent academic research throughout the teaching materials in order to ensure students are informed of the latest developments in the subject area.

RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES

The learning outcomes are assessed as follows:

- | | |
|--------------------------------------|-------------|
| • In-class test (Weeks 4 and 8) | 15% |
| • Group Research Report (Weeks 9-12) | 25% |
| • Final Examination | <u>60%</u> |
| | <u>100%</u> |

The following summary table indicates the alignment between the assessment tasks and learning outcomes.

Assessment Tasks	Value	Learning Outcomes					
		1	2	3	4	5	6
1. In-class tests	15%	✓	✓	✓	✓	✓	
2. Group Research Report	25%		✓	✓		✓	✓
3. Final Examination	60%	✓	✓	✓	✓	✓	✓

In order to receive a Pass grade or better in this unit, it is necessary to pass (obtain at least 50% in) the final exam as well as pass the overall assessment.

The assessment components are explained in more detail below:

IN-CLASS TEST (15% of overall assessment)

During Week 4 (covering Topics 1-3) and Week 8 (covering Topics 4 -7) short tests will be conducted during class time. Each test will account for 7.5% of your overall assessment. The first test in Week 4 is an early diagnostic assessment, the results of which will be indicative of the student's application to achieving the learning outcomes of the unit. Students who achieve poor results in this test should consult

the teaching staff regarding strategies for improving their performance. The tests are designed to give timely feedback as to your understanding of key topics and concepts of topics covered and to identify any particular learning challenges or areas of difficulty prior to the final examination. **You must sit for each test in your registered class.** The attendance roll will be marked just before each test and students not registered in that class will not be allowed to sit the test.

Each test will consist of multiple choice questions and be of 30 minutes' duration. The test will be closed-book (no reading materials or course notes can be consulted during the test) and conducted under examination conditions.

If the test is missed due to illness or other valid reason there is no supplementary test. The marks awardable to the test will be re-distributed to the final exam.

GROUP RESEARCH REPORT (25% of overall assessment) Submitted during Weeks 9-12

Students will work in groups of four to five people for this assignment. Each group presents a different topic (there are 12 topics). The topics are located in the class schedule for weeks 9-12. Students will form themselves into groups between weeks 4 and 5 and submit an allocation form in class during Week 5. Preferences for topics are also made on that form. Do not commence work until your topic is confirmed by the teacher via Blackboard.

The Report topics are designed to extend the themes and subjects of the lecture material, by means of additional information and examples discovered by the students. This represents an interactive method of learning that draws on lecturer leadership, student research and class discussion. Each group must:

1. Prior to a presentation, prepare a written Report of no more than 2500 words in length. PLEASE DO NOT EXCEED THE WORD LIMIT. A PENALTY MAY APPLY IF THE WORD LIMIT IS EXCEEDED (this requirement is to help establish fair assessments). The word length includes headings but does not include the reference list at the end or appendices. Please keep appendices to a minimum.

USE THE COVER SHEET PROVIDED ON BLACKBOARD.

2. Prepare a power point presentation or overhead projector slide summary of no more than ten slides of their findings in the Report. (A paper copy should also be brought as a back-up). The slide summary will be used to present the Report to the class. PLEASE DO NOT EXCEED THE SLIDE LIMIT. A PENALTY MAY APPLY IF THE SLIDE LIMIT IS EXCEEDED.
3. An e-copy of the written assignment must be submitted via BLACKBOARD before the presentation. One paper copy must be provided to the lecturer in class immediately before the presentation. An INSTANT TEN MARK PENALTY applies unless both copies are supplied on time. Note: Emailed copies are not acceptable. The lecturer may scan the e-copy with the university's anti-

plagiarism software. The lecturer will return the paper copy of the written report the following week and provide marks and feedback to the student group.

4. Nominate one or more members to make the presentation, on behalf of the group, to the rest of the class. After this, the topic will be opened for further discussion, with the class being invited to ask questions of the group. Presentations are restricted to 20 minutes per group.

The group will be given a combined mark out of 25 for the presentation and the written report. Marks will be distributed as follows: Presentation component, maximum 10 marks; Written component, maximum 15 marks. When awarding marks the lecturer will assess the professional nature of both components. For the presentation component, the group's ability to stimulate interest and class discussion will form part of the assessment. The marks are part of the formal evaluation in the unit. Each group member will receive the same mark unless the group indicates otherwise. It is the students' responsibility to make sure that workloads are distributed properly.

To conduct your research, you may find it helpful to consult the internet, regulators' sites in particular, also newspapers, business magazines and professional or academic journals. Write your reports in a professional manner with sub-headings and clearly defined sections. Be succinct and clear. Don't waste any words. Don't copy lengthy quotes. Reports must be neatly presented, double spaced, typed on ONE side of the page only. Please keep a copy of your assignment.

FINAL EXAM (60% of overall assessment)

A 3 hour final examination for this unit will be held during the University Examination period. The University Examination period in Second Half Year 2010 is from November 17 to December 3. Details on the final exam will be provided to students toward the end of semester. ACCG 835 students must be available to sit the exam during the exam period. Please do not make arrangements to leave Sydney before you know the exam date. Examinations cannot be given early to individual students. A final examination is included as an assessment task for this unit to provide assurance that:

- i) the product belongs to the student and
- ii) the student has attained the knowledge and skills tested in the exam.

You are expected to present yourself for examination at the time and place designated in the University Examination Timetable. The timetable will be available in Draft form approximately eight weeks before the commencement of the examinations and in Final form approximately four weeks before the commencement of the examinations. <http://www.timetables.mq.edu.au/exam>

The only exception to not sitting an examination at the designated time is because of documented illness or unavoidable disruption. In these circumstances you may wish to consider applying for Special Consideration. The University's policy on special consideration process is available at http://www.mq.edu.au/policy/docs/special_consideration/policy.html

If a Supplementary Examination is granted as a result of the Special Consideration process the examination will be scheduled after the conclusion of the official examination period.

The Macquarie university examination policy details the principles and conduct of examinations at the University. The policy is available at: <http://www.mq.edu.au/policy/docs/examination/policy.htm>

ACADEMIC HONESTY (PLAGIARISM)

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.

While the internet provides a useful material source we have had a number of problems in the past with the way students use the material in their assignments. Turnitin ® software is able to give teachers a precise indication of the amount of internet material used in the assignment (i.e. as a percentage of the assignment). (Note: Commonly used phrases, titles, etc identified in Turnitin are not regarded as plagiarism and the lecturer uses discretion on these.)

Some student's copy and paste large slabs of material directly from the internet into their assignments without any change or attempt to rewrite the material in their own words. Small amounts of referenced quotations are acceptable but these should be reserved for making some significant point. What constitutes a "large amount" of copying might depend on the assignment question but when more than about 10% of the whole assignment consists of word-for word copied passage(s) then:

1. If you have not used appropriate references then you have PLAGIARISED from the internet and can expect to be penalized. In cases where the copying looks to stem from lack of familiarity with report writing the lecturer will impose partial penalties: assignments which have x% unacknowledged internet passages will receive a reduction of x% of the awardable marks. HOWEVER: if an assignment contains blatant, deliberate plagiarism the students involved may receive zero marks for the assignment and be reported to the university's disciplinary committee.
2. Even if you do use appropriate references, the material is still not really your own, you didn't write it, copying and pasting isn't very difficult, you haven't really demonstrated that you have done much work, and you can't expect to get very many marks for such an assignment. Assignments that have more than about 10% of copied material will receive the same pro-rata reduction in awardable marks as above.

GRADES

All final grades in the Department of Accounting and Finance are determined by a grading committee and are not the sole responsibility of the Unit Coordinator.

Macquarie University's 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).

The student numerical grade (SNG) is not a summation of the individual assessment components. Therefore 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. This will be the case for example if you fail the final exam, in which case it is likely that the SNG will be your exam mark. The reason for this is that it is necessary to pass the exam to (a) pass the unit and to (b) receive an SNG that indicates Pass, i.e. is 50 or more marks. To be awarded a specific grade, students are required to perform at an equivalent standard in the final examination and their overall assessment marks in the unit.

Please also refer to relevant pages in the Handbook of Undergraduate Studies.

At Macquarie University our courses are competitive and students need to work very hard to be rewarded with the highest grades. There is no normalised, pre-set or "quota" grading system in this unit, but the distribution of student performances does tend to follow a typical pattern, with some minor variation from one semester to another. While there is also some variation among units, our outcomes are reasonably typical of other GSO accounting courses. In Semester 1, 2010 the following grades were awarded for ACCG 835:

High distinction (SNG at least 85)	2
Distinction (SNG from 75 to 84)	9
Credit (SNG from 65 to 74)	41
Pass (SNG from 50 to 64)	78
Pass (Conceded) (SNG from 45 to 49)	5
Fail	<u>13</u>
	148 students

The above distribution of marks may also be seen as reasonably representative of the assignment marks that are awarded in this unit, although there are usually fewer passes and fails in the assignments.

Assignments with assessment marks are an excellent way of getting students involved in the material and to learn on their own initiative. In a large class, however, a more reliable and objective measure of performance is the exam. For this reason, as an accountability safeguard, it is also required that in order to receive a Pass grade in this unit, it is necessary to pass the exam as well as pass (the overall assessment). The expectations of the convener for students to achieve particular grades are as follows:

Pass grade: students must be adequately familiar with the lecture material and required reading. Typically, pass grade performances show better results with the

more general exam questions and less good results with the more specific or analytic questions. Answers tend to be more descriptive than analytic.

High Distinction grade: students will be strongly familiar with all materials and be able to answer very specific questions. They will be able to answer assignment and exam questions in a highly analytic fashion, drawing together different threads of argument and evidence to make an impressive case. Credit and Distinction grades are located in between the above two poles of the performance spectrum.

Fail grades: unfortunately, there are usually a few students who fail. In some of these cases, the student fails the overall assessment. More typically though, failure is a result of unsatisfactory exam performance. Apart from the usual causes such as mismanagement of study time, in this unit we sometimes see in a few students a deliberate policy of selective study, e.g. they only study half the topics or study the more general topics. This is a dangerous policy that can result in a failure.

Conceded Pass. This grade applies to students who have not performed satisfactorily but whose results are relatively closer to the pass requirement. In the cases of conceded pass last semester, the unsatisfactory performance was on the exam.

GRADING APPEALS AND FINAL EXAMINATION SCRIPT VIEWING

If, at the conclusion of the unit, you have performed below expectations, and are considering lodging an appeal of grade and/or viewing your final exam script please refer to the following website which provides information about these processes and the cut off dates in the first instance. Please read the instructions provided concerning what constitutes a valid grounds for appeal before appealing your grade.

http://www.businessandconomics.mq.edu.au/for/new_and_current_students/undergraduate/admin_central/grade_appeals.

SPECIAL CONSIDERATION

The University is committed to equity and fairness in all aspects of its learning and teaching. In stating this commitment, the University recognises that there may be circumstances where a student is prevented by unavoidable disruption from performing in accordance with their ability. The only exception to not sitting an examination or in-class test at the designated time is because of documented illness or unavoidable disruption. Students who do not sit for the final examination may wish to consider applying for Special Consideration. A special consideration policy exists to support students who experience serious and unavoidable disruption such that they do not reach their usual demonstrated performance level. The policy is available at: http://www.mq.edu.au/policy/docs/special_consideration/procedure.html

STUDENT SUPPORT SERVICES

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

IT CONDITIONS OF USE

Access to all student computing facilities within the Faculty of Business and Economics is restricted to authorised coursework for approved units. At all times, student ID cards must be displayed in the locations provided. Students are expected to act responsibly at all times when utilising University IT facilities. The following regulations apply to the use of computer labs and online services:

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

Students are reminded to communicate to staff only through their specified Macquarie University email account as this is the only official channel.

SUMMARY OF ACCG835 PROGRAM: SEMESTER 2 - 2010

Week	Commencing	Topic
1	August 2	Introduction, distribution of material and organization of student work groups.
2	August 9	The concept of culture and its relevance to international accounting diversity. Enhancing cross-cultural international accounting research.
3	August 16	Ethical behaviour in accounting
4	August 23	Management control: performance evaluation and transfer pricing. (In class test)
5	August 30	Management control in an international context: performance evaluation Case study - Del Norte Paper Company (C).
6	September 6	Management control in an international context: transfer pricing Case study – Del Norte Paper Company (A).
7	September 13	External reporting in an international context: similarities and differences.
20 th September to 1 st October MID-SEMESTER BREAK (2 Weeks Break)		
8	October 4	External reporting in an international context: preparing and adjusting financial statements for international accounting standards: Noresia Limited case study. (In class test)
9	October 11	Corporate reporting regulation: understanding differences — USA.
10	October 18	Corporate reporting regulation: understanding differences — Japan and China.
11	October 25	Corporate reporting regulation: understanding differences — The Netherlands, France and Germany.
12	November 1	International harmonization and convergence of financial reporting: historical background, benefits and problems, global players, recent developments and controversies.
13	November 8	Week 13 is a study period and consequently no classes are scheduled

WEEK 1

Introduction, distribution of unit material and group formation

The lecturers will introduce the course, distribute material and hold a discussion about the unit outline and the assessment. The main remaining activity will be to discuss the **group assignment** and talk about the formation of student work groups for the purposes of the assignment and presentation (Weeks 9-12). Students will collaborate within each group to produce the assignment.

The **group assignment** (Weeks 9-12) is part of the method of continuous assessment used in this unit (worth 25% of overall assessment). For this assignment groups will have a **strict maximum of five students**. It is anticipated that most groups will have four or five members, though a group with three members is also acceptable. A group with less than three members will require special permission of the teacher and there would need to be a good reason. The allocation of topics for this assignment requires a formal notification of group membership and request for topic preferences, which will be done in week 6.

The advantages of group assignments are many. Group work gives the student an opportunity to meet others in both a study and social context, it allows for diversification of ideas and division of labour, it allows for problems to be discussed and resolved, and it provides students with a safety net of their own colleagues.

Towards the end of class there will be an opportunity for students to meet each other and talk among themselves about possible group membership. The actual formation of the groups is done by students themselves.

In many cases group members will be from the same country but this will not always be the case. In the past, we have usually had a number of Chinese groups, and some others that have had several countries represented in the same group, for example, Sweden, Norway, Germany.

WEEK 2

The concept of culture and its relevance to international accounting diversity

Reading

Hofstede, G. and G. Hofstede, 2005, *Culture and Organizations: Software of the Mind*, McGraw Hill, Chapter 1, pp. 1-36. [available on e-reserve]

Hofstede, G., 1983, "The cultural relativity of organizational practices and theories", *Journal of International Business Studies*, Fall, pp. 75-89. [available on e-reserve]

Textbook, Roberts chapter 5.

Patel, C, "Some Theoretical and Methodological Suggestions for Cross-Cultural Accounting Studies", *International Journal of Accounting, Auditing and Performance Evaluation*, Vol. 1, No. 1, 2004, pp.61.84. [available on e-reserve]

Lecture guide:

The lecturer will present a discussion that includes the following major topics:

- Introduction to the works of Geert Hofstede, social theorist.
- National culture differences.
- Hofstede's dimensions: individualism-collectivism, power distance, uncertainty avoidance, masculinity-femininity, and long-term/short-term orientation.
- Independent and interdependent construal of self.
- Relevance of cultural theories for international accounting studies.
- Culture and accounting values.
- Summary of Patel's 2004 paper.

Requirements for students

Students are required to read the set material as outlined above before coming to class and be prepared to answer questions and participate in class discussions related to the topic being covered. The lecturer encourages students to participate in discussion of any of the topics during the presentation.

Prior to the class students are required to prepare answers to the following questions and be prepared to discuss their answers in class.

1. How does Hofstede define and describe culture? Is his concept of culture consistent with the way you think of culture?
2. Discuss at least two limitations of using Hofstede's five dimensional culture model in international accounting research.

WEEK 3

Ethical Behavior in Accounting

Reading:

Dellaportas, S., Gibson, K., Alagiah, R., Hutchinson, M., Leung, P., and Van Homrigh, D., 2005, "Ethical Decision Making", Chapter 4 in *Ethics, Governance and Accountability: A Professional Perspective*, John Wiley & Sons Australia Ltd: Queensland, pp.87-114. [available on e-reserve]

Dellaportas, S., Gibson, K., Alagiah, R., Hutchinson, M., Leung, P., and Van Homrigh, D., 2005, "Creative Accounting", Chapter 7 in *Ethics, Governance and Accountability: A Professional Perspective*, John Wiley & Sons Australia Ltd: Queensland, pp. 175-199. [available on e-reserve]

International Federation of Accountants, 2006, "Code of Ethics for Professional Accountants", International Ethics Standards Board for Accountants. ISBN 978-1-934779-52-1 [available on e-reserve] also free to download (102 pages) at <http://web.ifac.org/publications/international-ethics-standards-board-for-accountants>

Patel, C., G. Harrison and J. McKinnon, "Cultural Influences on Judgments of Professional Accountants in Auditor-Client Conflict Resolution", *Journal of International Financial Management and Accounting* (New York University Salomon Centre and the International Association of Accounting Research), Vol. 13, No. 1, 2002, pp.1-31. [available on e-reserve]

Lecture guide

The lecturer will present a discussion on the fundamental principles underlying ethical behaviour in accounting, methods of creative accounting and cross-cultural influences on professional accounting.

Requirements for students

Read the set material (supplied to you) before coming to class. The lecturer encourages students to participate in discussion of any of the topics during the presentation.

Questions to guide your reading and for class discussion:

1. Why do you think it is important that there should be a formal code of conduct guiding accounting behaviour?
2. In terms of interpreting accounting and auditing standards, what is the meaning of the term "substance-over form" approach?
3. Why is it important to understand cultural influences on judgments of professional accountants?
4. Is creative accounting illegal, and why is it difficult to restrict creative accounting?

WEEK 4

Management control: Performance evaluation and transfer pricing

Reading

Textbook, Choi chapters 10 and 12.

Lecture guide

The lecturer will present a discussion on performance evaluation topics and transfer pricing.

Requirements for students

Students are required to read the set material as outlined above before coming to class and be prepared to answer questions and participate in class discussions related to the topic being covered. The lecturer encourages students to participate in discussion of any of the topics during the presentation.

Students are required to **prepare answers to the following end of chapter exercises and be prepared to discuss these in class.**

- Chapter 10 Exercise 10; and
- Chapter 12 Exercises 10.

IN CLASS TEST

The in-class test will be held during class time this week. For details see the assessments section in this unit outline.

Presentation of group Research Reports during Weeks 9 to 12

Students to allocate themselves into groups by submitting form next week (Week 5).

Finalise group formation with classmates now.

Each student group must present a Research Report based on one of the topics that are scheduled, sometime during weeks 9 to 12. See the assignment instructions earlier in this outline. Students are asked to form themselves into groups of strict maximum **FIVE STUDENTS** by submitting a form to the lecturer during Week 5 (one form per group). The form should be downloaded from Blackboard. Students are encouraged to form a group from diverse countries so that they can learn in a cross-cultural way and have new experiences.

The form will also record the preferences of the group for one of the Report topics. Each topic can only have a Report made by one group. The teacher will allocate the topics and students will be notified of the allocation the same week when they are posted on Blackboard. It is envisaged (though cannot be guaranteed) that each group will receive one of their four preferences. Not all groups will receive their first preference. Once allocated, change of topics is not permitted. A group must present the report on the scheduled day or forfeit the marks. Students are advised not to commence work on the Report until they are certain of their topic allocation.

Students should complete discussion about formation of the groups this week. Have your forms ready for collection in Week 5 classes.

WEEK 5

Management control in an international context: Performance Evaluation Case study – Del Norte Paper Company (C)

Reading

Textbook, Choi chapter 10, pp. 364-372 and pp. 381-402.

Case Study: Del Norte Paper Company (C).

Requirements for students

The case study will occupy the whole class time. Students should read the Del Norte case study (C), **prepare answers to question 2 below and be prepared to discuss these in class.** We will interactively discuss the issues, and optimal solutions will be decided.

Questions for Del Norte case study (C):

1. In general terms, how does the capital budgeting system work? What are its component parts and events? When do the events take place and how are they linked?
2. The Italian and German managers refer to several problems or concerns with the capital budgeting system with respect to how it affects their performance and performance evaluation. What are their concerns about the following:
 - (i) the time lag in the system (generally expressed by all managers);
 - (ii) the measurement of labour savings (see Rizzo's and Corleone's separate statements on page 6);
 - (iii) the apparent arbitrariness and cyclicity of decisions (approvals or rejections) by San Francisco (see Rizzo's comment on page 7 about cyclicity and Lowenstein's comment at bottom of page 8);
 - (iv) the self-financed nature of the subsidiaries;
 - (v) exchange rate movements (see Buskey's comment on page 9); and
 - (vi) the spending authority limits?
3. What strengths does the current system possess?
4. What recommendations for change to the capital budgeting system and/or to the performance evaluation system would you make to management?

Students are also required to be prepared to discuss their answers in class.

Collection of forms for allocation of new groups and topics for Research Report presentations during weeks 9 to 12.

WEEK 6

Management control in an international context: Transfer pricing Case study – DelNorte Paper Company (A).

Reading

Textbook, Choi chapter 12, pp. 468-486.

Case Study: Del Norte Paper Company (A).

Requirements for students

The case study will occupy the whole class time. Students should read the Del Norte case study (A), and **prepare answers to questions 1 and 2 below and be prepared to discuss these in class**. We will interactively discuss the issues, and optimal solutions will be decided.

Questions for Del Norte case study (A):

1. Calculate the contribution per ton of boxes that DNP-Italia earned on the African box sale. How much contribution would DNP-Deutschland have earned had they been awarded the bid at \$1,200 per ton and purchased their linerboard requirements from the U.S.? How much contribution would DNP Consolidated (the total company) have earned if DNP-Deutschland had been awarded the bid at \$1,200 per ton?
2. Based on a comparison of the contributions in the first question, what is the nature of the problem faced by Del Norte management in the U.S. headquarters?
3. How does Del Norte solve this problem in the domestic (U.S.) market? Evaluate the pros and cons of this solution.
4. Is a similar solution feasible at the international level? If not, why not? What characteristics does the problem possess at the international level that distinguish it from the domestic level? What are the solution options open to Del Norte in dealing with the problem at the international level and what are the potential consequences of each option?

- **Source:** Barrett, M.E. & W.J. Bruns, Jr., *Case Problems in Management Accounting* (Homewood, Ill., Richard D. Irwin, Inc., 1982), pp. 223-226.

Students are also required to be prepared to discuss their answers to all questions in class.

WEEK 7

External Reporting in an International Context: Differences and similarities

Reading

Textbook, Choi chapter 2 and Nobes chapter 2.

Lecture guide

In this week we will briefly consider why we observe so many similarities in accounting practices. We will then turn our attention to the differences. We will look at some examples of how different accounting methods can be used to record the same underlying economic transaction. We will also observe the impact these different accounting methods have on the profit and loss statement and balance sheet, and describe their impact in terms of the Gray accounting values discussed in the textbook.

Requirements for students

Please complete the following questions from the readings above for discussion in class.

1. Are national differences in accounting practices better explained by culture or by economic and legal factors? Why? (source Choi chapter 2)
2. What is the difference between a judgemental and an empirical classification of accounting? (source Choi chapter 2)
3. Why is it difficult to establish a causal relationship between specific external factors and international differences in accounting? Discuss the methodological problems in identifying possible causes. (source Nobes chapter 2)

WEEK 8

External reporting in an international context: Preparing and adjusting financial statements for international accounting standards: Noresia Limited case study

Reading

Noresia Ltd Case Study.

Textbook, Nobes chapter 6.

Requirements for students

The case study will occupy the whole class time. This week's tasks involve analysis of accounting standards, computation with numerical data, double entry bookkeeping and preparation of accounts including profit and loss and balance sheet. These tasks have several purposes:

1. Students can re-familiarize themselves with accounting principles and the mechanics of financial statements. This is a vital prerequisite to the understanding of comparative international financial accounting.
2. Noresia is an introduction to the nature of International Accounting Standards, which are becoming increasingly important in world accounting.

Complete Part A of the case study prior to class. We will discuss Part A in the first section of the class, and then Part B will be completed interactively in the remainder of the class. Note that a question similar to some of the Noresia material will appear in the exam.

IN CLASS TEST

The in-class test will be held during class time this week. For details see the assessments section in this unit outline.

WEEK 9

Corporate reporting regulation: Understanding differences — USA.

Reading

Textbook, Choi chapter 4.

Berlau, J., 2003, "EU wants US to play by its rules", *Insight on the News*, April 1, pp. 1-3. [available on e-reserve]

Lecture guide

The purpose of weeks 9, 10 and 11 is to consider the main features of corporate reporting regulation, and accounting and disclosure practices, in a number of different countries. The lecturer will begin the class with a demonstration of how the Gray model can predict what kind of accounting we would expect to find in the USA, based on that country's cultural indices developed by Hofstede. Following this, will be a discussion on the reality of US economy, business history, institutions, politics and accounting. We will use the same approach for the other country studies.

Requirements for students

Please complete the following questions from the readings above for discussion in class.

1. Case 4-1 Standing on Principles – questions 2-4 of the case (Choi chapter 4)

Research Report topics for presentation during Week 9 (USA):

Topic 1

The IASB was founded in 1973 as the IASC. Briefly characterise the development of this International body with reference to major events in its timeline. How representative and relevant do you think the IASB is today? In answering this question, draw on the composition and governance of the IASB, the focus of its accounting standards, and any suggestions you may have (if any) to change the body.

Topic 2

Outline the role and activities of the International Federation of Accountants (IFAC). What recent projects has it been involved in and is it sufficient to just focus only on converging IASB issued International Financial Reporting Standards (IFRS) in the globalisation process.

Topic 3

In a recent Rolling Stone magazine article ("Inside the Great American Bubble Machine", posted 2 July 2009) author Mat Taibbi claims that the investment banking firm Goldman Sachs had engineered every major stock market bubble and crash since the great depression of 1929. By researching sources further than the Rolling Stone article, state the extent to which you think this claim could be true, if it is true at all. Discuss the role of accounting regulations, their observance or abuse, in these supposed attempts to manipulate the stock market by Goldman Sachs and other investment bankers.

WEEK 10

Corporate reporting regulation: Understanding differences — Japan and China.

Reading

Textbook, Choi chapter 4.

Opper, S., (2003), "Enforcement of China's accounting standards: reflections on systemic problems", *Business and Politics*, V.5, 2, pp. 151-173. [available on e-reserve]

Lecture guide

The lecturer will begin the class with a discussion on Japanese accounting, using the same theory v reality method introduced for the USA class. The lecturer will then outline the main features of Chinese corporate governance. The lecturer is hoping that, given the large number of students from that country, the Research Reports will provide some thorough analyses of the prevailing situation there!

Requirements for students

Please complete the following questions from the readings above for discussion in class.

1. Case 4-2 Casino Capital – questions 2-4 of the case (Choi chapter 4)

Research Report topics for presentation during Week 10 (Japan and China)

Topic 4

Select a 50 year time period in Japanese history sometime between the year 1100 A.D. and 1940. During your selected period, show the extent to which financial information was disclosed to the public by Japanese commercial interests. Discuss the cultural factors prevailing at the time that influenced the disclosure or retention of financial information.

Topic 5

Read the set paper by Opper. How well, if at all, have these enforcement problems been resolved since Opper wrote in 2003?

Topic 6

What difficulties are faced by Australian businesses in obtaining financial information about companies that are based in China or Japan? (choose one country only). Give examples of these difficulties by reference to Australian company activities during 2009.

WEEK 11

Corporate reporting regulation: Understanding differences — France, Germany, Netherlands

Reading

Textbook, Choi chapter 3.

Lecture guide

The lecturer will begin the class with a discussion on France, Germany, Netherlands. The Research Report presentations will occupy the second part of the class.

Requirements for students

Please complete the following questions from the readings above for discussion in class.

1. Case 3-1 Old Habits Die Hard – questions 1-3 of the case (Choi chapter 4)

Research Report topics for presentation during Week 11 (France, Germany, Netherlands)

Topic 7

Evaluate the role the European Union (being a supranational body), is playing in the international accounting convergence process, with respect to the formal procedures and institutions it has in place, and the role they play. How effective do you think the EU is speaking with one voice in accounting, given that it represents 26 different member states with unique cultural, social and economic systems.

Topic 8

What has been the effect, if any, of International Financial Reporting Standards (IFRS) on German corporations that are in distress due to the world financial crisis of 2008-2009? Provide some examples that show the extent to which IFRS have helped or hindered these corporations.

Topic 9

Research the history of one of the giant transnational enterprises whose origins are in the Netherlands. Show how changes in the type and extent of financial information provided by this company over time is reflective (or otherwise) of changes in the economic and social outlook of this country. You may choose the time period and make the focus as you wish, but a minimum 20 year period is suggested.

WEEK 12

International Harmonization and Convergence of Financial Reporting: Historical background, benefits and problems, global players, recent developments

Readings

Textbook, Nobes chapter 4.

Doupnik, T. and Perera, H., 2009, "International Accounting" McGraw-Hill, 2nd edition, Chapter 3, pp. 69-113. [available on e-reserve]

Lecture guide

We will consider the benefits, problems and issues associated with international accounting harmonization and convergence. Our discussion will be focused around the International Accounting Standards Board (IASB) and the many different groups that have an interest in its International Accounting Standards (IAS) and Financial Reporting Standards (IFRS). A brief history will be given of the International Accounting Standards Committee (IASC) and the IASB since its establishment in the early 1970s. We will examine the politics associated with developing, implementing and evaluating IAS and IFRS. The objective here will be to gain an understanding of the pressures and events that have led to the contemporary role and status of the IASB.

In the second half of the seminar we will use at least two accounting models to evaluate the usefulness of IFRS in specific country contexts. We will refer to historical, political, economic, cultural and legal influences to show the importance of contextual factors in international accounting. Finally, we critically challenge the assumption of superiority and universal applicability of IFRS

Requirements for students

All students should also do the required reading before class and be prepared to answer questions and participate in class discussions related to the topic being covered. Class discussion topics:

1. How does harmonization differ from convergence?
2. Some researchers have claimed that International Accounting Standards Board is more involved in politics associated with standard setting rather than focusing on developing relevant and reliable standards. Discuss whether you agree or disagree with this statement.

Research Report topics for presentation during Week 12

Topic 10

Outline and discuss the specific changes and developments that have taken place in accounting in Indonesia in the post-Suharto years. To what extent will an improvement in accounting practice lead to an improvement in both financial accountability and investor confidence?

Topic 11

Discuss India's current position with respect to international accounting convergence, including timelines and outline the major issues/problems that have been raised in their convergence process.

Topic 12

The current global financial crisis is forcing international and national regulators to re-examine the adequacy of International Financial Reporting Standards (IFRS) in ensuring comprehensive, comparable and accurate financial reporting. Use an example to illustrate how accounting regulators are taking measures against the use of fair value accounting in IFRS.

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