

MACQUARIE
UNIVERSITY



FACULTY OF
BUSINESS AND ECONOMICS

ACCG 871

ADVANCED CORPORATE
ACCOUNTING

UNIT GUIDE

SEMESTER 2, 2011

DEPARTMENT OF ACCOUNTING & CORPORATE GOVERNANCE

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

Year and Semester: Semester 2, 2011

Unit convenor: Fiona Foster

Prerequisites: ACCG612 or admission to MCom or MIB or MEc or MActPrac prior to 2011

Credit points: Four (4)

Students in this unit should read this unit outline carefully at the start of semester. It contains important information about the unit. If anything in it is unclear, please consult the unit convenor.

ABOUT THIS UNIT

This is an advanced unit in financial accounting that deals with accounting for business operations conducted through a corporate group from the perspective of the practitioner.

The main topic of the unit is the techniques of consolidation accounting used to prepare the consolidated financial statements for a corporate group. The unit also considers the compilation of cash flow statements, accounting for income tax, accounting for business combinations, asset impairment, the translation of foreign operations, accounting for associated entities and sustainability accounting.

ACCG 871 is a 4 credit point unit, which means the workload is very demanding. On average students should devote between 10 to 12 hours of study time per week to the unit.

Previous Studies

From prior studies you should already be proficient at basic company accounting procedures as follows:

- Prepare general journal entries involved in the preparation of company financial statements including 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 etc
- Post general journal entries to ledger or T accounts and produce the trial balance and financial statements.
- Describe the main the elements of the financial statements including revenues, expenses, inventory, property, plant and equipment, receivables, payables, share capital and retained profits.

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TEACHING STAFF

The unit convenor and teaching staff member responsible for the delivery and administration of this unit is Fiona Foster. Fiona can be contacted via email: fiona.foster@mq.edu.au or c/- Liz Lee, Building E4A Level 2 on Ph: 9850 9964

CONSULTATION TIMES

Consultation time for the unit will be held directly after class in the allocated room.

You are encouraged to seek help at this time or in special circumstances, an appointment may be made outside this time. Students experiencing significant difficulties with any topic in the unit must seek assistance immediately.

CLASSES

ACCG 871 requires that students attend a weekly seminar of three hours duration. A short break of 10-15 minutes will usually be taken during the seminar.

Students must attend one of the following seminars each week:

<u>Day</u>	<u>Time</u>	<u>Room</u>
Monday	6pm – 9pm	E4B 314
Tuesday	9am – 12pm	C5A 226

The timetable for classes can be found on the University website at <http://www.timetables.mq.edu.au/>

REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

In order to complete the seminar work and prepare for the final exam in this unit, you will need to possess a copy of the following textbook:

Alfredson, K. et al (2009), “**Applying International Financial Reporting Standards – 2nd Edition**”, John Wiley & Sons Australia.

The required reading can be purchased from the CO-OP Bookshop on campus. This text is also available in the Macquarie Library.

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TECHNOLOGY USED AND REQUIRED

In order to prepare your weekly assignments, research assignment and oral presentation for the class, you are encouraged to use Microsoft Word, Microsoft Excel and/or Microsoft PowerPoint.

You will also be required to access the Internet in order to conduct research and Macquarie University's online teaching facility (refer to the detail contained below in Unit Web Page).

UNIT WEB PAGE

A web page for ACCG 871 has been created on Macquarie's on-line Blackboard teaching facility (Online Learning @ MQ). This site provides students with a facility to download certain course materials. The unit outline, weekly seminar questions and applicable PowerPoint lecture slides for each seminar are available for download as well as other course documents. The PowerPoint slides will be referred to during the lectures in ACCG 871 and they should form the basis of chapter summaries that students can use for exam revision. Students should bring their copy of the PowerPoint slides to seminars and add notes to them during the lectures as appropriate.

The web site is <http://learn.mq.edu.au> and students should use their Macquarie Login ID and password to access the site. If students have problems with their username and password, they need to contact the IT helpdesk, <http://www.library.mq.edu.au/help/>

LEARNING OUTCOMES

The learning objectives for this unit are set out below. The required readings of each week will provide an additional level of detail about how to achieve the unit learning objectives.

The unit learning objectives should be used throughout the semester to guide you through the lecture material, required readings, seminar questions and to answer any questions you have concerning “what do I need to know for the final exam?”

- 1) Demonstrate understanding of the theory and practice of compiling company financial statements including:
 - Describe the presentation and format of the financial statements
 - Derive the statement of cash flows using T account reconstruction. Prepare a reconciliation of operating profit after tax to cash flows from operations.

- 2) Demonstrate understanding of the theory and practice of accounting for company income tax including:
 - Determine taxable income and prepare journal entries required for current and deferred tax balances.

- 3) Demonstrate understanding of the theory and practice of the recognition and measurement of assets and liabilities including:
 - Prepare journals, including the tax effect, for the initial measurement of the cost of property, plant and equipment and subsequent measurement using fair value basis.
 - Describe the recognition, initial and subsequent measurement of intangibles.

- 4) Demonstrate understanding of the theory and practice of accounting for business combinations and impairment of assets in Australia including:
 - Measure the cost of acquisition for a business combination and prepare the journals to allocate this cost to the assets and liabilities of the business acquired
 - Describe and identify a cash generating unit (CGU) for the purposes of impairment testing.
 - Describe the mechanics of impairment testing assets and prepare the necessary journals to account for impairment of assets within a CGU including goodwill, and the subsequent reversal of impairment losses.

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- 5) Demonstrate understanding of the theory and practice of consolidation accounting in Australia including:
 - Describe the use and meaning of important consolidation terminology
 - Describe the inputs, process and outputs of consolidation accounting
 - Perform an acquisition analysis in respect of the acquisition of a subsidiary
 - Prepare the necessary consolidation journal entries to revalue assets to fair value, prepare the pre acquisition entries, to remove the financial effects of intra-economic entity transactions and balances (eg inventory, plant & dividends) and make other adjustments to portray the financial performance and financial position of the economic entity
 - Prepare a consolidation worksheet including the allocation to non controlling interests in order to derive the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position.
- 6) Demonstrate understanding of the theory and practice of translating foreign currency financial statements denominated in foreign currency including:
 - Describe the use and meaning of important translation terminology
 - Translate the financial statements of a foreign operation into Australian dollars using the appropriate exchange rates
- 7) Demonstrate understanding of the theory and practice of accounting for associated entities including the preparation of equity accounting adjustments (one or more years after acquisition) that are necessary for an associate including the recognition of revenue from an associate and dividends paid.
- 8) Demonstrate an understanding of current issues impacting corporate accounting, including sustainability accounting.

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. The unit contributes to this by developing the following graduate capabilities:

- 1) Discipline Specific Knowledge and Skills
 - a. Identifies and is able to discuss key accounting issues and
 - b. Applies accounting knowledge to practical solutions and
 - c. Learns independently and assume responsibility for the learning process and
 - d. Cooperates with team members, assumes leadership and manages differences.
- 2) Critical, Analytical and Integrative Thinking
 - a. Identifies and analyses quantitative and qualitative data and
 - b. Determines relevant information for decision making.
- 3) Problem Solving and Research Capability
 - a. Uses theoretical and practical based knowledge to diagnose and solve problems and evaluate ideas and information and
 - b. Undertakes research to write a report, present, discuss and defend views.
- 4) Effective Communication
 - a. Effectively communicates both orally using visual communication and in writing and
 - b. Demonstrates effective communication in a group situation.
- 5) Engaged Ethical Local and Global citizens
 - a. Demonstrates an awareness of the regulatory framework and
 - b. Demonstrates awareness of social, ethical and sustainability issues affecting accounting and the role of accountants and
 - c. Demonstrates respect and be open minded to the ideas of peers from different cultural backgrounds.
- 6) Capable of Professional and Personal Judgement and Initiative
 - a. Judges which accounting method is most applicable and
 - b. Recognises the limits of own knowledge and skill, seeking appropriate and timely assistance.

TEACHING AND LEARNING STRATEGY

You will only develop as a person who can think like an accountant and act like an accountant from your own experiences of problem solving with particular cases. Advanced corporate accounting is a “doing” subject.

This unit involves one three-hour seminar per week. The unit relies heavily on assignment-based learning and the participation of seminar participants. Each seminar is divided into two parts.

The first part (and the main part) of each seminar involves working through the assignment-based learning materials that have been distributed in the prior week. When working through these materials it is expected that seminar participants will contribute discussion and raise particular issues or problems that they have had with the assignment questions.

The second part of each seminar will comprise a mini-lecture that covers the key concepts of a topic area often using a worked example. The purpose of this mini-lecture is to prepare seminar participants so that they may attempt the relevant assignment questions and problems that have been set for the topic area for the next week.

On average the unit will require students to complete between 10 to 12 hours of private study per week.

Please note that **solutions to the weekly assignment questions will not be made available to students**. Therefore it is imperative that students attend the weekly seminar in order to correct their work. If further assistance with assigned seminar questions is required then you are encouraged to see the lecturer during consultation.

WEEKLY SUMMARY

The first seminar (**Week 1**) covers administration of the unit including discussion of unit materials and undertakes a brief review of extracts of an annual report of a large Australian multinational group.

Week 2 deals with the topic areas of accounting for income tax and the revaluation of property, plant & equipment assets.

Week 3 covers the presentation of statements of cashflow utilising both the direct and indirect methods of preparation.

Week 4 considers a number of related topic areas to introduce the consolidation process including recognition of intangibles, impairment of assets and accounting for business combinations.

Week 5 deals with the main principles of consolidation accounting including the control criterion, the economic entity, the consolidation process, the pre-acquisition entry and the preparation of a consolidation worksheet.

Week 6 covers the elimination of intra-entity transactions within a consolidated group including tax effect entries.

Week 7 considers the advanced consolidation topic of non controlling interests and its impact on the consolidation worksheet and process.

Week 8 continues and completes the topic of non controlling interests and their impact to the consolidated group.

Week 9 covers the more applied issues in consolidation accounting including indirect ownership interests.

Week 10 considers the current issue of sustainability reporting for companies in Australia.

Week 11 covers the translation of foreign subsidiaries' financial statements for the purpose of consolidation including the application of functional and presentation currencies.

Week 12 deals with equity accounting of associated entities for both parent and non parent entities.

Week 13 provides an opportunity for course review and the final exam format will also be discussed during this seminar.

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RESEARCH AND PRACTICE

- This unit gives you practice in applying research findings in your assignments
- This unit gives you opportunities to conduct your own research

RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES

In ACCG 871 you must demonstrate that you have satisfied the learning objectives of the unit.

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 final assessment in ACCG 871 is based on the following:

Assessment Task	Weighting	Learning Outcomes Assessed	Graduate Capabilities Assessed	Length	Due Date
Class Presentation	5%	1, 2, 3, 4, 5, 6, 7	1a, 4a	Maximum 5 minutes	TBA
Class Test	20%	1, 2, 3, 4	1b,1c, 2a	1 hour	Week 5 Seminar
Weekly Assignments	10%	1, 2, 3, 4, 5, 6, 7, 8	1b,1c,2a,3a,6	Completion of all set questions	Reviewed each Seminar
Group Research Assignment	15%	8	1d,3b,4b,5a,c	Maximum 5 pages	Week 8 Seminar
Final Examination	50%	1, 2, 3, 4, 5, 6, 7, 8	1b,1c,2a,5b,6	2 hours	TBA

The class presentations, class test, weekly assignments and research assignment provide the means of continuous assessment and continuous learning throughout the semester. Further detail on these assessment tasks is provided on the pages following.

The primary objective of the continuous assessment tasks in ACCG 871 is to make you ready, willing and able to demonstrate your understanding of the learning objectives on the day of the final exam.

Class Presentation (5%)

During the semester, you will be required to come to the front of the class and make a short presentation of no more than five minutes on one of the discussion questions set for the week. These questions will be allocated in the week prior to the presentation day. Your presentation is worth 5% of the overall assessment and your mark will be based on the technical content and the oral presentation of the question. Technical content is worth 1 mark and oral presentation of the question is worth 4 marks, which is based on a mark each for clarity and pace of speech, eye contact, ability to engage the audience and the use of clear overheads. Marks will be provided to students on Blackboard toward the end of semester, after all students have completed their presentation.

Some tips on how to deliver a good presentation are:

- ❖ Speak to time – you will be cut off at 5 minutes.
- ❖ **DO NOT READ OUT A SCRIPT.** This will result in a very low grade for this part of the assessment.
- ❖ Use clear and simple overheads. Do not try and put too much material on a single slide.
- ❖ Use diagrams wherever possible. A picture tells a thousand words!!
- ❖ Use current examples where possible. Relate the solution to material covered in the unit.
- ❖ Tell the audience why they should listen to your presentation. Why is what you have to say important?
- ❖ Pace your presentation, don't rush your speech, and pause for effect before or after a major point
- ❖ Maintain eye contact with your audience
- ❖ Be enthusiastic
- ❖ Be creative – is there a better way to present the information? Is there an activity that the audience could do or could they participate in some way?
- ❖ Most important . . . have fun! The difference between a good presentation and a great presentation is a presenter who is enjoying themselves.

Class Test (20%)

There will be a class test held at the beginning of class in week 5. The aim of this test is to provide you with on-going feedback relating to your understanding and learning progress within the course to date. The test will be one hour in length and is worth 20% of the overall assessment. Students who do not attend the Week 5 test can apply for special consideration only if they have valid grounds to do so, however no supplementary test will be offered. Students who fail the test will need to report to the lecturer to discuss remedial study plans. More information regarding the test will be provided closer to the test date. Marks will be posted on Blackboard prior to the week 7 seminar and feedback on the test will be given by the week 7 seminar.

Weekly assignments (10%)

Independent work on assignment exercises and problems is fundamental to satisfying the learning objectives of this unit.

You are not expected to always have the right answers from your independent work but you are expected to make a significant attempt to assignment questions before each seminar. It is expected that, in addition to attendance at the weekly seminars, you will need to spend at least ten hours per week working on assignments and preparing for the next seminar.

Seminar participants will be expected to submit their answers to assignment questions during the seminar **each week**. Each submission is worth 0, ½ or 1 mark, to a maximum total of 10 marks depending on the effort / attempt made to complete the work. Note that only those weekly submissions where there has been satisfactory completion of all set questions will be allocated 1 mark. While weekly assignment work is only worth 10% of the overall assessment, **there is a significant correlation between quality weekly assignment work and a passing grade in the final exam!**

You are encouraged to complete assignment work using word-processing and spreadsheets whenever possible.

It is expected that the written work you submit for the weekly assignments will largely be completed before the seminar rather than during the seminar. **If it is noticed that an assignment is being prepared during the seminar then 0 marks will be awarded to the assignment.**

On the front page of each weekly assignment that you submit please include the following:

- your student name
- your student id

Any students found submitting identical seminar assignments or submitting solutions copied from past Accg 871 students/ textbook solutions, invite a full investigation by the Faculty of Business and Economics and disciplinary action. Students must also ensure that they do not inadvertently plagiarise material from textbooks or other readings. Anyone found blatantly copying from the textbook without due acknowledgment can expect to be awarded zero marks for the relevant submitted work. Academic honesty is discussed in more detail below.

Note: the low-risk diagnostic task required by Faculty will be achieved by a detailed review of homework in weeks 2-4. Students whose work is unsatisfactory will be asked to consult with the unit convenor after week 4 about remedial study plans.

Research assignment (15%)

Climate change is now a major global issue, and as a result, governments and consumers are requiring businesses to measure and report their greenhouse gas emissions. On 24 February 2011 an agreement on the “broad architecture” of a carbon emissions price mechanism was announced by the Australia Government, which will result in transformation to business and more specifically will impact the corporate reporting process.

In **groups**, you are required to submit a report answering the following:

- a) **Describe the key elements of the proposed carbon price framework. Your answer should include discussion on the proposed commencement date, phases and coverage of the scheme. (4 marks)**
- b) **Discuss the benefits of introducing a carbon price into our economy. (2 marks)**
- c) **What are the key potential accounting/reporting implications for affected entities of the introduction of a carbon emissions price? (6 marks)**
- d) **What key elements of the carbon price framework still remain uncertain? (1 mark)**

A further **2 marks** will be awarded based on the format and quality of your submission. **Maximum length limit of 5 pages** will be strictly enforced. Text should be 12 font with 1.5 spacing. Appendices and bibliography are not included in the length limit.

This assignment will be **due on Monday 3rd October or Tuesday 4th October** during your normal class time. Assignments not received at this time will result in a penalty of 20% of the total awarded marks per day late. Marks will be posted on Blackboard and the assignments will be returned within the following two weeks, with feedback provided by the lecturer at that time.

This assignment should be prepared using Microsoft word and is worth 15% of the overall assessment.

Final Exam (50%)

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.

A 2 hour final examination for this unit will be held during the University Examination period. The exam will cover all material from weeks 1 to 12, although emphasis will be given to areas not previously examined. You will be given further information regarding the final exam during the final seminar of the semester.

The University Examination period in Second Half Year 2011 is from 14th November – 2nd December.

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>

The final exam of ACCG 871 is designed to test you against the learning objectives of the unit.

Dictionaries are not permitted in the final exam although a calculator (with no text capabilities) will be required for the final exam. Students are also prohibited from bringing any pre-prepared notes or other examples of their writing into the final exam.

Further details regarding the final exam will be provided to you during the final seminar. In the meantime you should be aware that the best preparation for the final exam is as follows:

- ❖ Attend seminars and work through the assignment material, Complete the required readings from the textbooks each week, Complete independent solutions to seminar work set - treat the questions as preparation for the theory component of the final exam and the exercises and problems as preparation for the practical component.

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ACADEMIC HONESTY

The nature of the scholarly endeavour, dependent as it is on the work of others, binds all members of the University community to abide by the principles of academic honesty. Its fundamental principle is that all staff and students act with integrity in the creation, development, application and use of ideas and information. This means that:

- All academic work claimed as original is the work of the author making the claim
- All academic collaborations are acknowledged
- Academic work is not falsified in any way
- When the ideas of others are used, these ideas are acknowledged appropriately.

Further information on the academic policy can be found in the Macquarie University Academic Honesty Policy at:

http://www.mq.edu.au/policy/docs/academic_honesty/policy.html

GRADES

Macquarie University uses the following grades in coursework units of study:

HD –High Distinction

D – Distinction

CR – Credit

P – Pass

F – Fail

Grade descriptors and other information concerning grading are contained in the Macquarie University Grading Policy which is available at:

<http://www.mq.edu.au/policy/docs/grading/policy.html>

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

Students will be awarded one of these grades plus a Standardised Numerical Grade (SNG). The SNG is not necessarily a summation of the individual assessment components.

The final grade and SNG that are awarded reflect the corresponding grade descriptor in the Grading Policy.

In addition, there is a requirement to pass the final examination to be awarded a final grade of a Pass or a higher grade.

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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.businessandeconomics.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. 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

Note that for a Special Consideration application to be valid, the student must have been performing satisfactorily in the unit up to the date of the unavoidable disruption. If a student's work in the unit has previously been unsatisfactory, subsequent unavoidable disruption will not overcome the fact that the earlier work was unsatisfactory.

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>.

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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 must use their Macquarie University email addresses to communicate with staff as it is University policy that the University issued email account is used for official University communication.

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SEMINAR SUMMARY

<u>Week</u>	<u>Date</u>	<u>Seminar Topic</u>
1	August 1 / 2	Introduction and overview of the unit
2	August 8 / 9	Income Taxes/ Property, Plant & Equipment
3	August 15 / 16	Statement of Cash Flows
4	August 22 / 23	Intangibles / Impairment / Business Combinations
5	August 29 /30	Consolidation – Consolidation Method & Wholly Owned subsidiaries. Class Test.
6	September 5 / 6	Consolidation – Intragroup transactions.
7	September 12 / 13	Consolidation – Non Controlling Interests (Part 1)
	September 19 /20	Recess - private study
	September 26 / 27	Recess - private study
8	October 3 / 4	Consolidation – Non Controlling Interests (Part 2) Research Assignment due.
9	October 10 /11	Consolidation – Indirect Ownership Interests.
10	October 17 /18	Sustainability Reporting
11	October 24 / 25	Foreign subsidiaries
12	October 31/ November 1	Accounting for Investments in Associates
13	November 7 / 8	Course Review / Final Exam Discussion