Accounting 502 aims to develop the ability to understand, interpret and use financial reports. The unit is structured to provide an understanding of accounting concepts, issues and problems rather than educating someone to take the role of a professional accountant. The focus of the unit is on accounting for external users and after developing an understanding of the basic concepts underlying external general-purpose financial reports, techniques to analyse such reports are examined. The unit also provides an introduction to accounting for internal users. Basic cost concepts for making operating and strategic decisions within an organisation are discussed.
CONTACT DETAILS

Lecturer: Phil Hancock
Email: phancock@biz.uwa.edu.au
Phone: (08) 6488 1835
Fax: (08) 6488 1072

Consultation Hours: Tuesday 11am – 1pm
Other times by appointment

Lecture Room and Times: Tuesdays 2pm-5pm Myers Lecture Theatre

PHIL HANCOCK  B.Com (UWA), M.Com (UWA), FCPA, ACA

Phil is the Associate Dean of Teaching and Learning for the Faculty of Economics and Commerce and a Senior Teaching Fellow at the Graduate School of Management at UWA. He joined the GSM from Murdoch University where he was Associate Professor of Accounting. Phil has extensive experience in the regulation of corporate financial reporting, international accounting and management in both the educational and private sectors. Phil is a Fellow of CPA Australia and an Associate of the Institute of Chartered Accountants. He is an active member of the profession and sits on a national panel associated with the Society’s CPA Program.

Phil was appointed to the Urgent Issues Group (UIG) on May 1, 2002. The UIG is a sub-committee of the Australian Accounting Standards Board and is responsible for the interpretation of accounting standards issued in Australia. He is the only academic member of the UIG. He is also a member of the ASIC Accounting Liaison Group in WA.

He was commissioned in 1987 by the Australian Accounting Research Foundation to prepare a background paper on accounting issues associated with Financial Institutions and Financial Instruments. This resulted in the publication of Discussion Paper 14 Financial Reporting by Financial Institutions and Accounting for Financial Instruments in 1990. This work was the forerunner to accounting standards, which have since been issued in these areas. He was also commissioned by the International Accounting Standards Committee to examine the adoption, use and compliance with International Accounting Standards in over 100 countries. In addition, Phil has published many articles, chapters in books and is the co-author of an introductory accounting book which is used in over 16 tertiary institutions in Australia and New Zealand.

Phil has been teaching MBA and EMBA students for more than 10 years and in 2002 he was voted best lecturer by the EMBA students and in 2003 he received the University excellence in teaching award for postgraduate coursework. As a teacher of Financial Accounting at both the undergraduate and postgraduate levels for over 25 years, he is well known both in Western Australia and in the Eastern States.

Phil has held senior positions at UWA, ECU, and Murdoch Universities. He has worked for the Chartered Accounting firm of Irish, Young and Outhwaite. He was a Director and Chairman of the University Credit Union for 10 years.
Introduction

“The ability to understand and make use of financial data is the cornerstone of business strategy and business decision making in all its forms.”

Welcome to Accounting 455.502 a course offered by the Graduate School of Management at UWA. This course is a core unit in the MBA, the MBA (Advanced) and the MBA (International) and is usually one of the first courses students will complete as part of each of these Awards.

The use of financial information permeates all aspects of business decisions irrespective of the nature of a business entity. Successful business managers are those who understand the financial implications of their decisions and actions. This is not to say that all managers must possess accounting skills. Rather managers must be able to understand and use accounting information in a way that enhances both their own effectiveness and that of the business organisation to which they belong.

This course will therefore introduce and emphasise the use of accounting information in decision making. The course will provide participants with an introduction to the preparation of various types of financial statements in order to assist in understanding the structure and basis of these statements. However, the main emphasis will be on the use of the financial statements by managers.

The first part of the programme will provide the skills necessary to read and interpret those financial statements, which are normally prepared for users external to the entity, i.e. the Statement of Financial Performance, the Statement of Financial Position, and the Statement of Cash Flows. We will then look at questions relating to the performance of the entity. In order to obtain a better understanding of the usefulness of the information provided in these statements we will also examine the conceptual basis for financial accounting.

The second part of the programme will focus primarily on the types of accounting information made available within the entity. Topics in the second part of the unit include the use of accounting information in planning, control, decision making, and performance measurement. One important lesson to be learned from this part of the course is that accounting information may be constructed and used in different ways for different purposes.

Broad learning outcomes

By the end of this unit you should be able to

- Understand the concepts and be aware of the major requirements impacting upon the preparation of conventional financial statements;
- Analyse and interpret information contained in those financial statements (with particular emphasis on using ratio analysis and cash flow analysis) bearing in mind the inherent limitations of such information;
- Understand the different purposes for preparing accounting information for internal users;
- Explain and apply different concepts of costs to business decisions; and
- Understand the uses and issues associated with budgets and the balanced scorecard as management tools.
Textbook(s)

Required text(s)


This text will be used extensively throughout the course.

Copies of this text held in closed reserve in the Reid Business Library.

Unit web site

This unit makes significant use of a Quickplace website. The address is:

http://dong2.gsm.ecel.uwa.edu.au/455502 (on campus)

You may also access this site through the GSM website at:

http://www.gsm.uwa.edu.au (Go to “Current Students” and then “Quickplaces”) (off campus)

To access this site you will need a user name and password.

Your username is: ACCOUNTING
Your user password is: ACC2005

We encourage you to take a look at this site as soon as possible and make use of the many tools and types of information placed there to assist you in your studies. Additional information about access and use of this site will be provided in the first lecture.

Text web site

One of the icons at the web site is a direct link to the textbook web site. At this site you will find a tab with 'Student Resources', click on that. Once in that section click on 'Mycourse'. You will need to register yourself as a new user (use whatever username and password you like). After that you will be asked for an Access Number, use the ISBN number located on the bar code on the back cover of the text.

Once you have registered and logged in, click on Enter A Course, This will put you at Chapter One. If you scroll down, you will see the online practice tests at the bottom of the page. Click on that and you can take the test.

On the left hand side is a button called the Table of Contents. Click on that to go to other chapters.

The student resources contains a review of each chapter and a practice test which you can take as many times as you like. The questions in the test are randomly numbered and so each time you take the test the questions are assigned different numbers. Your answers will be marked each time and you will receive feedback about your performance. It is a very useful way to test your understanding of the material covered in each chapter of the book.
### Key Dates

#### Seminar topics

<table>
<thead>
<tr>
<th>Week commencing</th>
<th>Topic No.</th>
<th>Topic Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 6 September</td>
<td>1</td>
<td>Introduction to Accounting 455 502</td>
</tr>
<tr>
<td>2 13 September</td>
<td>2</td>
<td>Supply and demand for Accounting Information</td>
</tr>
<tr>
<td>3 20 September</td>
<td>2</td>
<td>The Financial Reporting Framework</td>
</tr>
<tr>
<td>4 27 September</td>
<td>3</td>
<td>In Class Quiz No. 1</td>
</tr>
<tr>
<td>5 4 October</td>
<td>4</td>
<td>The role of the auditor and the audit committee in corporate governance</td>
</tr>
<tr>
<td>6 11 October</td>
<td>5</td>
<td>Wealth and the Measurement of Profit</td>
</tr>
<tr>
<td>7 18 October</td>
<td>6</td>
<td>Statement of Financial Position</td>
</tr>
<tr>
<td>8 25 October</td>
<td>7</td>
<td>In Class Quiz No. 2</td>
</tr>
<tr>
<td></td>
<td>8</td>
<td>Debtors, Creditors, Prepayments and Accruals</td>
</tr>
<tr>
<td></td>
<td>9</td>
<td>Non Current Assets and Depreciation</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>Non Current Assets and Depreciation (continued)</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>Cash Flow Statements</td>
</tr>
<tr>
<td></td>
<td>12</td>
<td>Accounting for economic entities and taxation.</td>
</tr>
<tr>
<td></td>
<td>12</td>
<td>Financial Statement Analysis</td>
</tr>
<tr>
<td>Date</td>
<td>Component</td>
<td>Weight</td>
</tr>
<tr>
<td>--------------------</td>
<td>------------------------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>1 November</td>
<td>In Class Quiz No. 4</td>
<td></td>
</tr>
<tr>
<td>8 November</td>
<td>Financial Statement Analysis (continued)</td>
<td></td>
</tr>
<tr>
<td>15 November</td>
<td>Introduction to management accounting and cost</td>
<td></td>
</tr>
<tr>
<td></td>
<td>concepts</td>
<td></td>
</tr>
<tr>
<td>15 November</td>
<td>Cost-volume-profit analysis</td>
<td></td>
</tr>
<tr>
<td>22 November</td>
<td>In Class Quiz No 5</td>
<td></td>
</tr>
<tr>
<td>21 November</td>
<td>Decision Making With and Without Resource</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Constraints</td>
<td></td>
</tr>
<tr>
<td>29 November</td>
<td>Budgets, Performance Measurement and Balanced</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Scorecard</td>
<td></td>
</tr>
<tr>
<td>(Exam Week)</td>
<td>Final Exam</td>
<td></td>
</tr>
</tbody>
</table>

**Assessment**

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Assignment</td>
<td>15%</td>
<td>In Class Week 6</td>
</tr>
<tr>
<td>In Class Quizzes</td>
<td>20%</td>
<td>Weeks 3, 5, 7, 9 and 11</td>
</tr>
<tr>
<td>Group Assignment</td>
<td>30%</td>
<td>5 pm on November 21</td>
</tr>
<tr>
<td>Final Exam</td>
<td>35%</td>
<td>Week 13</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Exam date to be determined</td>
</tr>
</tbody>
</table>
The Purpose of Assessment

There are a number of reasons for having assessable tasks as part of an academic program. The assessable tasks are designed to encourage you to explore and understand the subject more fully. The fact that we grade your work then gives you an indication of how much you have achieved. Providing feedback on your work also serves as part of the learning process.

The Standard of Assessment

The Graduate School must ensure that the processes of assessment are fair and are designed to maintain the standards of the School and its students. The School follows the University of Western Australia's grading system

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>HD (Higher Distinction)</td>
<td>80-100%</td>
</tr>
<tr>
<td>D (Distinction)</td>
<td>70-79%</td>
</tr>
<tr>
<td>CR (Credit Pass)</td>
<td>60-69%</td>
</tr>
<tr>
<td>P (Pass)</td>
<td>50-59%</td>
</tr>
<tr>
<td>N (Fail)</td>
<td>0-49%</td>
</tr>
</tbody>
</table>

The School awards marks leading to these grades by using the following general criteria which are represented here as an indication of the School's expectations. These general criteria may be supplemented by specific standards provided with regard to a particular assignment.

**HD** The student has a clear understanding of theory, concepts and issues relating to the subject and is able to adopt a critical perspective. The student is able to clearly identify the most critical aspects of the task and is able to offer a logically consistent and well articulated analysis within the analytic framework presented in the course. The student is able to draw widely from the academic literature and elsewhere but maintains relevance.

**D** The student has a clear understanding of theory, concepts and issues relating to the subject. The student is able to develop an analysis of an issue using the analytic framework presented in the course and is able to identify and evaluate the critical issues. The student is able to draw upon relevant academic and other material.

**CR** The student demonstrates an understanding of the analytic framework developed in the course and a partial understanding of concepts and issues. The student is able to identify some key issues and is able to present a logical discussion, but with some conceptual errors or gaps between analysis and conclusions. The student is able to draw upon an adequate range of references and other materials.

**P** The student generally takes a descriptive rather than analytic approach to the subject. The student is able to demonstrate some understanding of the issues involved but does not demonstrate the ability to apply the analytical framework, which had been developed in the course. Draws primarily upon course materials for referencing.

**N+** The student is unable to demonstrate that he or she understands the core elements of the subject matter. The student is able to provide some insight into issues but misapplies analytic framework developed in course, omitting key factors and, for example, drawing conclusions which are not related to the preceding discussion.

**N** The student is unable to demonstrate any understanding of the subject matter. Material presented for assessment is unrelated to course framework and shows no effort to identify or address critical aspects of the topic.

The scaling of marks to ensure comparability between classes in an acceptable academic practice. The GSM and Board of Examiners have the right to scale marks where it is considered necessary to maintain consistency and fairness.
Attendance

Participation in class, whether it be listening to a lecture or getting involved in other activities, is an important part of the learning process. For this reason the GSM has decided not to move to on-line teaching. It is, therefore, important that you attend classes (and be on time).

More formally, the University regulations state that ‘to complete a course or unit a student shall attend prescribed classes, lectures seminars and tutorials. Students whose attendance at MBA units has been unsatisfactory will not be granted a pass grade. Two or more missed classes without prior permission from the lecturer is classified as unsatisfactory. Students should not expect to obtain approval to miss more than two classes per unit, unless there are exceptional circumstances.

Submission of Assignments

Assignments should be submitted in class. A standard cover sheet should be obtained from the office and used.

Late assignments will attract a penalty of 5% per day. This penalty will be waived by the lecturer only in exceptional circumstances. No marks will be awarded to assignments submitted after other students in the class have had their assignments returned.

Extensions to submission dates for assignments are not automatic and will only be granted in exceptional circumstances.

It is the intention that the marked assignments will be returned within two weeks of submission.

Assignments will be returned through the GSM general office.

Presentation of Assignments

For this unit the following guidelines should be observed:

- All assignments are to submitted in hard copy
- All assignments should be typed in double spacing on both sides of single sheets of A4 Paper
- Leave a margin of at least 25mm on each side of the paper
- All assignments should include a cover sheet with the following details:
  - Unit title and code
  - Assignment Due Date
  - Student ID’s
- Assignment One should not be bound – a staple is sufficient. Assignment Two should be bound.
- Please DO NOT include your student name on any assignments.
Individual Assignment

On July 1 2002 the Financial Reporting Council announced that from January 1 2005 all reporting entities in Australia will prepare general purpose financial reports based on International Financial Reporting Standards (IFRSs). Since that time there has been substantial debate about the wisdom of this decision.

Required:

1) Outline and assess the arguments for and against the adoption of IFRSs in Australia.

2) You are required to provide a summary of the impact of the adoption of IFRSs on Alinta Ltd. You should make use of all information available from the Alinta Ltd web site. Assess the decision usefulness of the disclosures in the 2004 Annual Report, the 2005 Half Year Report and any other relevant information you identify.

Assignment Length

Maximum of 5 A4 sheets double sided, double-spaced 11pt ARIAL font, 25mm margins. This page limit only excludes the Title page, the Table of Contents, the Reference Page and any Appendices. Please note that an appendix should contain information to support an argument or comment within the body of the paper, marks will not be awarded for new arguments or points contained in appendices. Pages in excess of this limit will not be read or graded. Please note that this assignment should not be bound. A staple is sufficient.

Assessment Criteria:

Please see Marking Guide for this assignment attached to the back of this Unit.

NOTE:

Where there are any relevant Accounting Standards, Accounting Concepts, or other guidance, these should be referred to in your discussions to support your solution.

Group Assignment

You are required to prepare an analysis of Alinta Ltd to determine whether to recommend a hold, buy or sell.

In your analysis you should make use of the most recent financial statements and any other information available up until 31 October 2005. The final share price on this date is to be incorporated into your financial analysis.

Your report should include a section commenting on any differences in the major accounting policies adopted, what impact any changes to these policies have had on financial ratio levels, and an assessment of the financial prospects of the Company. You should also comment on any significant differences in accounting policies/strategies which impact on the financial ratios of Alinta and your benchmark(s).

Please see the attached Marking Guide for guidance. Careful consideration, identification and discussion of your chosen industry comparisons need to be made.

You may complete this assignment individually or in a group with a maximum of 4 members. Where you choose to complete the assignment in groups, peer assessment will be used. Information about peer assessment is available on the Quickplace site.
Groups are to be chosen by students and should be identified to Phil Hancock by Week 4. Assistance in the form of an electronic notice board on Quickplace is available to enable you to identify potential group members.

Once you have chosen to work within a particular group, a group assignment must be submitted. (i.e. you cannot disband the group midway through the trimester.)

Groups are required to submit a hard copy and an electronic copy of the assignment. An electronic copy of non-original work (e.g. articles included in appendices) is not required. All ratio calculations where relevant and workings are required as appendices. You should retain items such as research notes, e-mails and a record of your individual input to the group assignment.

**Assignment Length**

Maximum of 10 A4 sheets double-sided, double-spaced, 11 pt ARIAL font, 25mm margins. **This page limit only excludes the Title page, the Table of Contents, the Reference Page and any Appendices.** Please note that an appendix should contain information to support an argument or comment within the body of the paper, marks will not be awarded for new arguments or points contained in appendices. Pages in excess of this limit will not be read or graded. Please note that this assignment should be bound.

**Assessment Criteria:**

Please see Marking Guide for this assignment attached to the back of this Unit Outline

---

**In Class Quizzes**

Each quiz is worth 5% of the total unit assessment and will be completed during class time. There will be no alternative time set to sit missed quizzes. The best 4 marks will be used to calculate your final grade. If you only sit 4 quizzes, all of those grades will be included. If you only sit 3 quizzes, you will only receive a maximum of 15/20 for this piece of assessment.

Each quiz will include 10 multiple choice questions.

Quizzes are based on the topics covered since the previous quiz.

Please note that the text website has ‘on-line’ quizzes. See page 6 of this outline for instructions on how to access that site.

**Final Exam**

This exam will be 180 minutes in duration and will cover all Topics. There will be 6 essay/problem /case type questions.

The exam is open book.

**To pass this unit, students are required to achieve a score of at least 45% in the final exam.**
 Appeals Against Assessment Marks

In the first instance, students are strongly advised to talk informally to the lecturer about the grade awarded.

The University provides the opportunity for students to lodge an appeal against any mark which he or she feels is unfair. Any student making an appeal is under an obligation to establish a prima facie case by providing particular and substantial reasons for the appeal.

There is a 10 day time limit for making any such appeal. An appeal against academic assessment may result, as appropriate, in an increase or decrease in the mark originally awarded. The University regulations relating to appeals and the form on which the appeal should be lodged can be found in the GSM website.

Acknowledgements and Plagiarism

In the course of your individual and group work assignments, you will encounter ideas from many sources. These will include journal and newspaper articles, commentaries, books, web sites and other electronic sources, original case sources, lecture materials. All MBA assignments that you submit must acknowledge all the different sources you have used. Not to acknowledge your sources is plagiarism, a form of dishonesty. Plagiarism is the misappropriation of the work or ideas of others and presenting them as your own. This is reprehensible from both an ethical and legal viewpoint. Neither the School nor the University accepts ignorance or the fact that a student’s previous acts of plagiarism had been undetected as a defence.

In order to avoid engaging in plagiarism it is your responsibility to acknowledge all of your sources in any work submitted for assessment and it is essential that you reference the work of others correctly. Where you quote directly from a source, you must ensure that any direct quotations are placed in quotation marks and are fully referenced. Even when you do not quote directly and are just referring to or expanding on the work of others, you must still acknowledge the sources of your information and ideas. Close paraphrasing in which you change a few phrases around, leave a clause out of a long sentence or put the original sentences in a different order is still plagiarism. To mark words as a quotation the entire text that has been copied should be enclosed within quotation marks. If the copied text is four or more lines in length, it may be more appropriate to set is as a separate and indented paragraph. Each time that text is copied, the source must be acknowledged with a reference citation, including the page number.

Advice on proper referencing is given below. If you have any doubts concerning appropriate referencing formats or how to acknowledge the work of others correctly, you should seek the advise of your lecturer.

Students should note that cases of plagiarism are automatically reported to the Academic Conduct Officer and documentary evidence along with associated correspondence is placed on the student’s permanent record. For further information on the rules and procedures in respect of appropriate academic conduct you should visit: http://www.teachingandlearning.uwa.edu.au/tl/academic_conduct

If referencing and writing academic papers is something that you have not done for a while or if you are in any doubt about what constitutes plagiarism, please take a look at the following websites which provide excellent information on plagiarism:

http://www.deakin.edu.au/studentlife/academic_skills/online_workshops/plagiarism.php
http://www.deakin.edu.au/studentlife/academic-skills/undergraduate/handouts/ideas.php
http://owl.english.purdue.edu/handouts/print/research/r_plagiar.html
Referencing

It is important that the referencing of any sources used in your written work is done properly, if only to substantiate the points you are making in your assignment or project. The Harvard style is the preferred and there are some notes for guidance which have been prepared by the library staff: ‘Citing your sources Harvard Style’ http://www.library.uwa.edu.au/guides/citingsources/harvard.html

Another excellent source for Harvard Style referencing can be located at:

http://www.cqu.edu.au/referencing/index.htm (click on harvard (author/date) in the left hand toolbar)

Endnote is a really good system for building up a database of references. Not everyone will want to invest the time in using this system but you should consider it if you intend to build up resource materials or plan to undertake extensive research in a particular area. The library staff have also developed a tutoring package: ‘A quick Guide to Using EndNote’ which provides the basics for using EndNote with an essay http://www.library.uwa.edu.au/guides/endnote/quick_endnote.pdf

This is linked to from the how to Use EndNote page www.library.uwa.edu.au/guides/endnote/ which provides more comprehensive information.

Additional Resources and Reading Material

Journals and Newspapers

The following journals and newspapers are all very good references for current issues facing the accounting profession and users of accounting information and can all be found within the Business Library system (i.e. either in hard copy or electronically). As this course is designed to address the needs of managers as users of accounting information you may find that your best source for additional reading is something like the Australian Financial Review or the UK Financial Times. Using current business transactions and events reported in these newspapers is a good way to challenge your understanding of the concepts and learning outcomes we are addressing in this unit.

- In the Black
- Charter Magazine
- Australian Accounting Review; Melbourne
- Australian Financial Review
- UK Financial Times
- The Age

Closed Reserve

The following references have been placed in Closed Reserve in the Business Section of the Reid Library for your use:

- Bazley, M., Hancock, P., Berry, A, & Jarvis, R. 2004, Contemporary Accounting, 5th ed, Nelson ITP, South Melbourne

• Hoggett, J. Edwards, L., & Medlin, J. 2003, Accounting in Australia, 5th edn, John Wiley & Sons, Australia


Websites and Databases

• http://www.icaa.org.au/
• http://www.ato.gov.au
• http://www.fasb.org/
• http://www.alinta.net.au/
**Detailed Session Outlines:**

**TOPIC TITLE:** Topic 1 – Introduction To Accounting

**TOPIC OBJECTIVES:**

When we have completed this Topic, you should be able to

- Define Management Accounting and Financial Accounting and provide examples of the types of accounting information generated by these two areas
- Identify the four principal business activities of an entity and be able to provide examples of short and long term activities included in those groups
- Identify the main sources of demand and supply of accounting information
- Define and identify the content of General Purpose Financial Reports
- Identify the content of an annual report and link that content back to the principal business activities of an entity

**REQUIRED READING:**

Chapter 1: Bazley, Hancock, et.al. (2004)

**PREPARATION FOR CLASS:**

- Complete required reading
- Complete the following questions from the text:
  - Problem 1.1
  - Problem 1.10
  - Problem 1.11

**PLEASE NOTE THAT 'PROBLEM' 1.1 REFERS TO 'PROBLEMS FOR DISCUSSION AND ANALYSIS' CHAPTER 1, QUESTION 1 (AND SO ON)**
TOPIC TITLE: Topic 2 – The Financial Reporting Framework

TOPIC OBJECTIVES:
When we have completed this Topic, you should be able to:

- Understand the factors that influence the preparation of financial statements
- Explain the current arrangements for standard setting in Australia
- Understand the roles of the FRC, AASB, the UIG and ASIC in relation to accounting standards
- Explain the influence of accounting standards, the Corporations Act and the stock exchange on financial reporting requirements
- Explain what is meant by a conceptual framework
- Understand the objective of general purpose financial reporting and the role of the qualitative characteristics of financial information.

REQUIRED READING:
Chapter 2: Bazley, Hancock, et.al. (2004)

PREPARATION FOR CLASS:

- Complete required reading
- Complete the following questions from the text:
  - Problem 2.2
  - Problem 2.5
  - Problem 2.10
TOPIC TITLE:  Topic 3 – The role of the auditor and the audit committee in Corporate Governance

TOPIC OBJECTIVES:

When we have completed this Topic, you should be able to:

• Explain what is meant by the term ‘corporate governance’
• Discuss the issues associated with the role of the audit committee in corporate governance
• Understand the role of the audit and the auditor in corporate governance and financial reporting
• Explain what is meant by the term ‘expectation gap’
• Explain the concept of audit independence and why it is so important

REQUIRED READING:

Chapter 13: Bazley, Hancock, et.al. (2004)

PREPARATION FOR CLASS:

• Complete required reading
• Complete the following questions from the text:
  o Problem 13.1
  o Problem 13.9
TOPIC TITLE: Topic 4 - Wealth & the Measurement of Profit

TOPIC OBJECTIVES:

When we have completed this Topic, you should be able to

- Define and provide examples of Wealth and Profit
- Identify the problems involved with measurement
- Define and provide examples of Historical Cost, Replacement Cost
- Explain the Economic Value and Net Realisable Value method of measurement

REQUIRED READING:

Chapter 3: Bazley, Hancock, et.al. (2004)

PREPARATION FOR CLASS:

- Complete required reading
- Complete the following questions from the text:
  - Problem 3.1
  - Problem 3.11
  - Problem 3.12
TOPIC TITLE: Topic 5 - Statement Of Financial Position

TOPIC OBJECTIVES:
When we have completed this Topic, you should be able to

- Define the objectives, purpose and limitations of the Statement of Financial Position
- Identify the categories of this Statement including Assets, Liabilities and Owners Equity and the criteria used to identify transactions within these categories
- Define and explain the Operating Cycle, the Balance Sheet Equation and the Principle of Duality
- Identify the influences on the format of this Statement

REQUIRED READING:
Chapter 4: Bazley, Hancock, et.al. (2004)

PREPARATION FOR CLASS:

- Complete required reading
- Complete the following questions from the text:
  - Problem 4.1
  - Problem 4.10
  - Problem 4.11
  - Ethics Case Study at end of Chapter 4
TOPIC TITLE: Topic 6 – Statement of Financial Performance

TOPIC OBJECTIVES:

When we have completed this Topic, you should be able to

- Understand the importance of the statement of financial performance
- Define and explain the terms ‘income’ and ‘revenue’
- Explain and apply the principles involved in the recognition of revenue and be able to provide examples of revenue
- Define and explain the term ‘expense’, be able to explain and apply the expense recognition criteria, and be able to provide examples of expenses
- Understand the various factors which influence the format of the statement of financial performance

REQUIRED READING:

Chapter 5: Bazley, Hancock, et.al. (2004)

PREPARATION FOR CLASS:

- Complete required reading
- Complete the following questions from the text:
  - Problem 5.1
  - Problem 5.4
  - Problem 5.11
- Read problem 5.19 (we will complete it together in class)
TOPIC TITLE: Topic 7 – Debtors, Creditors, Prepayments and Accruals

TOPIC OBJECTIVES:

When we have completed this Topic, you should be able to

• Define and be able to calculate Debtors, Prepayments, Accruals and Creditors
• Understand the different methods of calculating Bad Debts namely the Direct Write-off method and the Provisioning method

REQUIRED READING:

Chapter 8: Bazley, Hancock, et.al. (2004)

PREPARATION FOR CLASS:

• Complete required reading
• Complete the following questions from the text:
  o Problem 8.1
  o Problem 8.5
  o Problem 8.15
TOPIC TITLE: Topic 8 – Non Current Assets and Depreciation

TOPIC OBJECTIVES:

When we have completed this Topic, you should be able to

- Recognise the different components included in the original cost of a non-current asset
- Define depreciation and understand why we include it as an expense of business activities
- Understand the different methods of calculating depreciation including Reducing Balance, and Straight Line
- Define and provide examples of intangible assets including identifiable and unidentifiable intangibles

REQUIRED READING:

Chapter 9: Bazley, Hancock, et. al. (2004)

PREPARATION FOR CLASS:

- Complete required reading
- Complete the following questions from the text:
  - Problem 9.1
  - Problem 9.5
  - Problem 9.14
  - Problem 9.18
TOPIC TITLE: Topic 9 - Cash Flow Statements

TOPIC OBJECTIVES:

When we have completed this Topic, you should be able to:

- Explain what is included in the term ‘cash’
- Understand and explain internal control procedures for cash and why they are important
- Understand what is meant by cash flows from operating, investing and financing activities and be able to categorise transactions within those 3 areas
- Understand the purpose of cash flow statements
- Understand the differences between cash flows and net profit

REQUIRED READING:

Chapter 12 pages 269 - 282: Bazley, Hancock, et al. (2004)

PREPARATION FOR CLASS:

- Complete required reading
- Complete the following questions from the text:
  - Problem 12.5
  - Problem 12.8
  - Problem 12.16
TOPIC TITLE: Topic 10 – Accounting for Interests in Other Entities and the Tax Environment

TOPIC OBJECTIVES:

When we have completed this Topic, you should be able to

- Define and understand the reasons for consolidated accounts
- Understand why it is necessary to eliminate investments in subsidiary and inter-entity transactions when preparing consolidated accounts
- Understand the difference between taxable income and net profit before tax
- Understand the terms current and deferred taxes

REQUIRED READING:

Chapter 12: Bazley, Hancock, et. al. (2004) pages 282 to 290

PREPARATION FOR CLASS:

- Complete required reading
- Complete the following questions from the text:
  - Problem 12.1
TOPIC TITLE: Topic 11 – Financial Statement Analysis

TOPIC OBJECTIVES:

When we have completed this Topic, you should be able to

• Identify the needs of the various users in respect to the analysis of financial statements
• Understand the relationship between the expected return and risk of investment alternatives and the role financial statement analysis can play in providing information about returns and risk
• Understand the importance of comparability of financial statements
• Explain and apply the techniques of trend analysis and common-size statements
• Explain, apply and interpret the various ratios that can be used in financial statement analysis
• Identify the limitations of financial statement analysis

REQUIRED READING:

Chapter 14: Bazley, Hancock, et.al. (2004)

PREPARATION FOR CLASS:

• Complete required reading
• Complete the following questions from the text:
  o Problem 14.1
  o Problem 14.4
  o Problem 14.5
• Complete additional questions to be distributed in class.
TOPIC TITLE: Topic 12 – Introduction to Management
Accounting and Cost Concepts

TOPIC OBJECTIVES:

When we have completed this topic you should be able to:

- Explain why management's information needs are not met solely by general-purpose financial reports
- Explain why the size and structure of a company influences the need for management to have access to more complex internal information
- Understand the cost assignment process
- Understand basic cost concepts

REQUIRED READING:

Chapter 15: Bazley, Hancock, et.al. (2004)
Chapter 17: Bazley, Hancock, et.al. (2004) (Pages 398 – 404)

PREPARATION FOR CLASS:

- Complete the following questions from the text:
  - Problem 15.1
  - Problem 15.2
  - Problem 15.3
TOPIC TITLE: Topic 13 – Cost-Volume-Profit Relationship

TOPIC OBJECTIVES:

When we have completed this topic you should be able to:

- Explain the difference between fixed and variable costs
- Understand the relationship between fixed and variable costs of production
- Explain and apply the contribution margin approach to cost-volume-profit analysis

REQUIRED READING:

Chapter 18: Bazley, Hancock, et. al. (2004)

PREPARATION FOR CLASS:

- Complete the required reading
- Complete the following questions from the text:
  - Problem 18.1
  - Problem 18.2
  - Problem 18.3
TOPIC TITLE: Topic 14 – Accounting for Decision Making: With and Without Resource Constraints

TOPIC OBJECTIVES:
When we have completed this topic you should be able to:

- explain the difference between avoidable and unavoidable costs
- understand what is meant by sunk costs
- explain what is meant by differential costs and why they are relevant for decision making
- explain and apply the contribution approach to the decision to close an unprofitable section

REQUIRED READING:
Chapters 19 Bazley, Hancock, et. al. (2004)

PREPARATION FOR CLASS:

- Complete the required reading
- Complete the following questions from the text:
  - Problem 19.1
  - Problem 19.2
TOPIC TITLE: Topic 15 – Budgets, Performance Measurement and the Balanced Scorecard

TOPIC OBJECTIVES:
When we have completed this topic you should be able to:

• Explain the reasons for producing budgets
• Explain what is meant by the budget process
• Understand the human factors associated with the use of budgets
• Explain what is meant by ‘cost centre’, ‘profit centre’ and ‘investment centre’
• Explain what is meant by the term ‘balanced scorecard’
• Explain the difference between operating and strategic key performance indicators (KPIs)
• Explain the difference between driver and outcome KPIs
• Explain the four perspectives of a balanced scorecard

REQUIRED READING:
Chapters 20 (pp 490 –494) and 21 Bazley, Hancock, et. al. (2004)

PREPARATION FOR CLASS:

• Complete the required reading
• Complete the following questions from the text:
  o Problem 20.2
  o Problem 21.1
## ASSIGNMENT 1 MARKING GUIDE

PLEASE ATTACH THIS GUIDE TO YOUR ASSIGNMENT

<table>
<thead>
<tr>
<th>DISCUSSION AND ANALYSIS</th>
<th>MARK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arguments for the adoption of the IFRSs in Australia</td>
<td>/10</td>
</tr>
<tr>
<td>Assessment of the merits of the arguments</td>
<td>/15</td>
</tr>
<tr>
<td>Arguments against the adoption of the IFRSs in Australia</td>
<td>/10</td>
</tr>
<tr>
<td>Assessment of the merits of the arguments</td>
<td>/15</td>
</tr>
<tr>
<td>Critical evaluation of the decision usefulness of the statements made by Alinta about the adoption of IFRSs</td>
<td>/35</td>
</tr>
</tbody>
</table>

## REPORT AND PRESENTATION

<table>
<thead>
<tr>
<th></th>
<th>MARK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formatting and other submission requirements</td>
<td>/5</td>
</tr>
<tr>
<td>Expression and Clarity</td>
<td>/5</td>
</tr>
<tr>
<td>Referencing</td>
<td>/5</td>
</tr>
</tbody>
</table>

### TOTAL /100
ASSIGNMENT 2 MARKING GUIDE
PLEASE ATTACH THIS GUIDE TO YOUR ASSIGNMENT

Student Numbers: ____________ ____________ ____________ ____________

Mark

CHOICE OF BENCHMARK /5

RATIO ANALYSIS DISCUSSION
Profitability /5
Activity/Efficiency /5
Short Term Liquidity /5
Long Term Liquidity /5
Market based ratios /5

ACCOUNTING POLICIES /20
Application – what has been used to determine policies
Disclosure – is it in conformance
Changes in Policies – if applicable
Differences in Policies between ALN and benchmarks
Are there any policies that are inappropriate/unusual/significant

FUNDAMENTAL ANALYSIS /40
Organisation Prospects – what factors are important for the future success of ALN?
What suggestions do you have to improve the financial performance and position of ALN?
Reasons to support Hold, Buy or Sell recommendation.

REPORT AND PRESENTATION /10
Organisation and structure
Expression and clarity
Presentation and referencing
Other relevant points

TOTAL /100

NOTE:
The points under the bold sections are areas to consider but are not meant to be restrictive.