

ACCT 5120
ADVANCED CONCEPTS I

COURSE OUTLINE
SUMMER 2016

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Course Timing

12 classes of 3 hours per class in May & June – Mondays and Wednesdays 9:00 – 12:00 from May 2 to June 13. There is no class on Monday May 23 (Victoria Day)

Calendar Description:

An in-depth exploration of selected topics in financial accounting, assurance and taxation.

Course Description:

This course builds upon and integrates knowledge previously gained in financial reporting, audit / assurance and taxation in an undergraduate program. It dives deeper into technical and complex issues, helps develop professional judgement, and focuses on the ability to integrate the various competencies together. It hones the skills required to be a professional accountant.

Course Objectives:

1. Develop an in-depth understanding of advanced accounting topics under IFRS, APSE and accounting for Not-for-Profit Organizations
2. Develop an in-depth understanding of audit engagement planning including risk assessment and materiality, and an in-depth understanding of review and compilation engagements
3. Develop an in-depth understanding of selected taxation issues for individuals and corporations

Prerequisites

There are no prerequisites to this course. By virtue of being admitted to the MAcc program, you have demonstrated coverage of the entry requirements to the program.

Course Requirements & Methods of Evaluation:

Participation	15%
Assignments	25%
Final Exam – 4 hours	60%
	<u>100%</u>

The grading scale used to calculate your final grade will be the one listed in the Carleton University Graduate Calendar:

A+	90 - 100	B+	77 - 79	C+	67 - 69	D+	57 - 59
A	85 - 89	B	73 - 76	C	63 - 65	D	53 - 56
A-	80 - 84	B-	70 - 72	C-	60 - 62	D-	50 - 52

Participation - In-Class Case Preparation

One of the most important requirements for this course is a thorough preparation and analysis of the assigned case, reading material and active participation in the classroom. The learning in the class will focus more on the thought process in analyzing business and accounting situations, not just on the solutions per se. In order to derive maximum benefit from the cases, it is essential that you mentally 'get inside' the case situation. Do not approach a case as you would a chapter in a book or an article in a magazine. You are not an observer, but a participant. If a case centers on a decision that needs to be made, put yourself in the shoes of the decision maker. Feel the frustration he or she feels with respect to data limitations. Feel the pressures he or she feels with respect to difficult tradeoffs, limited resources, political conflicts, or whatever. Once in class, share your ideas with others as we work jointly to resolve the issues.

In preparing the cases, the following simple rules may be useful:

- (1) Adopt a management posture in analyzing cases. **Use the assignment questions as a guide only.** Your answer should highlight what you, as a professional accountant, see as the strengths or weakness in a given situation.
- (2) Familiarize yourself with the facts of the case. Outline the industry and competitive context and the core strategic tasks that the firm should excel at.
- (3) Support your analysis with facts from the case. Most cases will not contain all data you might like to have. Nevertheless, you'll be surprised at how easily you can make accurate inferences and useful assumptions if you simply give the current management the benefit of the doubt.

Participation - In the classroom

Our expectation is that you will come to class having already thought through and analyzed the cases. This way, we can devote the bulk of the class to thinking and responding to each other's analyses to the case and only the necessary minimum to getting the facts out.

We encourage active student participation in class. We should point out that most students typically tend to underestimate rather than overestimate the worth of what they have to say. Thus, if you are ever in doubt, we encourage you to speak up rather than staying quiet.

Evaluation of Class Participation

The vast majority of professional accountants' interactions with others are oral. Depending on the specialty, they may spend very little time reading and even less time writing reports. For this reason, the development of oral skills is given a high priority in this course. The classroom should be considered a laboratory in which you can test your ability to convince your peers of the correctness of your views. Some of the characteristics of effective class participation are as follows:

- (1) Are the points that are made relevant to the discussion in terms of increasing everyone's understanding, or are they merely regurgitation of case facts?
- (2) Do the comments take into consideration the ideas offered by others earlier in the class, or are the points isolated and disjointed? The best contributions tend to be those which reflect not only excellent preparation, but good listening, and interpretative and integrative skills as well.
- (3) Do the comments show evidence of a thorough reading and analysis of the case/reading?
- (4) Does the participant distinguish among different kinds of data; that is, facts, opinions, assumptions, and inferences?

- (5) Is there willingness to test new ideas or are all comments cautious/'safe'?
- (6) Is the participant willing to interact with other class members by asking questions or challenging conclusions?

Clearly, you must participate in class if you are going to share your ideas with others. There is no need to contribute in every class. Some of the best contributors in the past have been those who participated in only three or four sessions. Their contributions, however, were insightful and persuasive. The issue is one of quality not quantity or frequency.

Given below is a description of how we propose to 'calibrate' your class contributions:

Outstanding contributor: Contributions in class reflect thorough preparation. Ideas offered are usually substantive, provide one or more major insights as well as direction for the class. Arguments, when offered, are well substantiated and persuasively presented. If this person were not a member of the class, the quality of the discussions would be diminished significantly.

Good contributor: Contributions in class reflect thorough preparation. Ideas offered are usually substantive, provide good insights and sometimes direction for the class. Arguments, when presented, are generally well substantiated and are often persuasive. If this person were not a member of the class, the quality of the discussions would be diminished considerably.

Adequate contributor: Contributions in class reflect satisfactory preparation. Ideas offered are sometimes substantive, provide generally useful insights, but seldom offer a major new direction for the discussion. Arguments are sometimes presented, and are fairly well substantiated and sometimes persuasive. If this person were not a member of the class, the quality of the discussions would be diminished somewhat.

Non-participant: This person has said little or nothing in class. Hence, there is no adequate basis for evaluation. If this person were not a member of the class, the quality of the discussions would not be changed.

Unsatisfactory contributor: Contributions in class reflect inadequate preparation. Ideas offered are seldom substantive, provide few, if any, insights; and never a constructive direction for the class. Integrative comments and effective arguments are absent. Class contributions are, at best, 'cherry-picking' efforts making isolated, obvious, and confusing points. If this person were not a member of the class, valuable air time would be saved.

Assignments

Assignments are to be completed individually. All assignments will be counted towards the final grade.

More information for the content of the assignments will be provided in cuLearn as the course progresses.

Final Exam

The final exam will be comprehensive in nature and will cover the whole course. Only non-programmable calculators (without alpha storage capabilities) will be permitted for use during examinations. Translation dictionaries are allowed as long as they are in print format and do not contain any handwritten notes. Electronic translation dictionaries are not allowed. The format of the final exam will consist of objective questions (multiple choice and task based simulations), problems and case studies.

The final exam will be held on Thursday June 23, 2016 from 9:00 – 13:00.

Development of Enabling Competencies

One of the objectives of the M.Acc. is the development of the following enabling competencies and this course will develop these competencies as follows:

Competencies	
1. Professional and Ethical Behaviour	Professional and Ethical Behaviour and Problem Solving and Decision Making will be developed on a weekly basis through the discussion and analysis of case studies.
2. Problem Solving and Decision Making	
3. Communication (written and oral)	Communication will be assessed through your in-class participation, written assignments and the term project – report and in-class presentation.
4. Self-Management	Self-Management will be assessed by in-class participation and will reflect on your ability to keep up with the course materials on an on-going basis.
5. Teamwork and Leadership	Teamwork and leadership will be assessed through the group project.

Case Book

Lento, Ryan – Canadian Financial Accounting Cases

Wiley, 2013

Available at Haven Books

Topical Coverage

Class	Date/ Instructor	Topic	CPA Competency Map References	Student Class Preparation
1	May 2 Maurice	The Annual Report, Management Discussion and Analysis, Notes to the Financial Statements Peeling an IFRS standard: IAS 16 – Property, Plant and Equipment Introduction to the CPA Competency Map	1.1.1 1.1.2 1.1.3 1.2.1 1.4.3	Review of Saputo’s 2015 annual report. Watch the MD&A and Notes to the Financial Statements Video. Print IAS 16 – Property, Plant and Equipment and bring to class.
2	May 4 Maurice	Introduction to Securexam Peeling an IFRS standard: IAS 17 – Leases Case: Canadian Airborn Technologies		Assignment 1 due: Analysis of the IAS 17 Lease Standard. Prepare Canadian Airborn Technologies Case
3	May 9 Brouard	Calculation of taxable income and taxes payable for individuals and corporations in routine situations. Exploration of in-depth taxation issues.	6.1.1 6.1.2 6.2.1 6.2.2	See Note on initial preparation for ACCT5120 (Taxation) Prepare Quiz questions

Class	Date/ Instructor	Topic	CPA Competency Map References	Student Class Preparation
4	May 11 Maurice	Financial Statement Analysis Case: Drivers of Financial Structure Case: Crank Games	1.4.1 1.4.2 1.4.4 1.4.5	Watch Financial Statement Analysis. Assignment 2 Due: Financial Statement Analysis of Saputo and Parmalat. Prepare Crank Games Case
5	May 16 Brouard	Calculation of taxable income and taxes payable for individuals and corporations in routine situations Exploration of in-depth taxation issues.	6.1.4 6.1.5 6.2.4 6.2.5 6.2.6 6.3.1	Prepare Case Keith Tabasco Prepare Case Taccord inc. Assignment 3 will consist of short case studies on the class 3 and 5 topics. The assignment will be due on May 25, 2016.
6	May 18 Maurice	Consolidation, Associates and Joint Ventures	1.3.1 1.3.2	Watch Consolidation Video.
	May 23	No class		

Class	Date/ Instructor	Topic	CPA Competency Map References	Student Class Preparation
7	May 25 Bujaki	Risk assessment and audit planning; Ethical Behaviour	4.1.1	<p>Bring your laptop to class as we will be working with the online version of the Assurance Handbook and the Rules of Professional Conduct.</p> <p>Working in groups, examine the financial statements assigned to you before class. Details of the required are posted on CULearn.</p> <p>Prepare Case Charles Tucker – Extracts, Introduction and Scenario 1 for discussion in class</p>
8	May 30 Bujaki	Understanding and assessing internal control	4.1.2	<p>Working in pairs, undertake a brief internal control observation. Details of the required are posted on CULearn.</p> <p>Prepare Case Dekale Limited.</p> <p>Assignment 4 will consist of short case studies on the class 7 and 8 topics. The assignment will be due on Wednesday June 8, 2016.</p>

Class	Date/ Instructor	Topic	CPA Competency Map References	Classroom Activities
9	June 1 Maurice	Financial Instruments and Hedging	1.3.1 1.3.2	Watch financial instruments video Assignment 5 (consolidation) due.
10	June 6 Maurice	Accounting for Governments (Guest Speaker: Diane Peressini, Executive Director, Government Accounting Policy and Reporting, Office of the Comptroller General of Canada) Accounting for NonProfit Organizations	1.3.1 1.3.2 1.1.5	Watch Accounting for NPO Video Assignment 6 (Financial Instruments) due.
11	June 8 Maurice	Case: Vulcanzap Case: Car-Tunes	1.1 1.2 1.3 1.4	Prepare Vulcanzap and Car-Tunes cases. Assignment 4 (Assurance) due.
12	June 13 Maurice	Case: Danilo Case: Copy-Cat Technologies	1.1 1.2 1.3 1.4	Prepare Copy-Cat Technologies case. Assignment 7 (Danilo case) due.

APPENDIX A – REFERENCE MATERIALS FOR MASTERS IN ACCOUNTING PROGRAM

CPA Canada Handbook – Accounting
CPA Canada Handbook – Assurance
Available on-line in the Library

Arens, Elder, Beasley, Splettoesser, Auditing – The Art and Science of Assurance Engagements, 12th Canadian Edition, Pearson

Beam, Laiken, Barnett, Introduction to Federal Income Taxation in Canada, Wolters Kluwer, most current edition

Blocher et Al., Cost Management - A Strategic Management Emphasis, 6th Edition, McGraw-Hill.

Damodaran, Applied Corporate Finance: A Users' Manual, 3rd Edition, Wiley, 2011

Federal Income Tax Act, most current edition

Kieso, Weygandt, Warfield, Young, Wieck, McConomy, Intermediate Accounting I and II, Wiley, 10th Canadian Edition

Merchant & Van de Stede, Management Control Systems, Prentice Hall

Ross, Westerfield, Jordan, and Roberts, Corporate Finance, 6th Canadian edition, McGraw-Hill Ryerson, 2011

Appendix B: CPA Canada Knowledge Topics Covered in ACCT 5120

Most of the following knowledge topics will be covered in ACCT 5120

SECTION 1: FINANCIAL REPORTING

Introduction to Accounting

- Objectives and fundamental accounting concepts and principles (qualitative characteristics of accounting information, basic elements)
- Ethical professional judgment
- Objectives of financial reporting
- Methods of measurement
- Difference between accrual accounting compared to cash accounting
- Framework of standard setting (IFRS and ASPE)
- Financial statement users and their broad needs, standard setting, and requirement for accountability
- Accounting information systems
- The role of IT in the reporting of information, including: real-time access, remote access to information, dashboard, spreadsheet, report generator, and XBRL (eXtensible Business Reporting Language)
- Emerging trends in accounting standards and recent updates
- Legislation that has an impact on accounting (SOX, Bill 198)

Financial Statements — Process, Design and Preparation

- The accounting cycle
- Internal control and cash (bank reconciliation, control over cash receipts and disbursements)
- Interim reporting
- Reportable segments
- Financial statements in accordance with applicable standards
- Routine disclosure requirements (notes to financial statements)
- Complex disclosure requirements (notes to financial statements)
- Role and composition of the MD&A

Issues Regarding Items in Financial Statements (under various GAAPS)

The appropriate accounting treatment for the following:

- Uncommon capital assets (e.g., natural resources, exchanges of assets, decommissioning costs)
- Pension plans and other employee future benefits
- Assets held for sale and discontinued operations
- Fair value and cash flow hedges
- Foreign currency translation
- Business combination
- Consolidated statements on date of acquisition
- Consolidated financial statements subsequent to acquisition date
- Joint ventures: proportionate consolidation or equity method
- Complex financial instruments (e.g., perpetual debt, convertible debt, derivatives)

Financial Statement Analysis

- Vertical and horizontal analysis
- Ratios and benchmarking
- Financial statement results for various users

- Pro forma statements
 - Impact of financial results on the whole organization
- Financial Accounting for Not-for-Profit (NFP) Organizations**

- Fund accounting
- Capital assets, and donated goods and services
- Contributions and restrictions

SECTION 4: AUDIT AND ASSURANCE

Fundamental Concepts

- Concept of assurance
 - Economic purposes of assurance engagement
 - The expectation gap (i.e., gaps between the outcomes delivered by the assurance engagement and the expectations of the users)
- The audit concept
 - Social and economic purposes of auditing
 - Distinction between statutory and voluntary audits

Regulatory Framework for Assurance

- Auditing and assurance standard-setting process, including the following:
 - Formulation of auditing and assurance standards in Canada
 - Documents for comment/exposure drafts
 - Directions in assurance research
- Monitoring of the auditing profession; i.e., Canadian Public Accountability Board (CPAB): under Canadian Securities Administrators Rule 52-108, accounting firms that audit reporting issuers must be participants in CPAB's oversight program
- Regulatory process in Canada; i.e., the Canadian Securities Administrators (CSA), an umbrella organization of Canada's provincial and territorial securities regulators, whose objective is to improve, coordinate, and harmonize regulation of the Canadian capital markets
- Implications of regulatory reporting and assurance

Audit and Assurance Process

- Client acceptance and continuation (CAS 210)
- Association (5020)
- Audit planning (CAS 300)
- Risk assessment process
 - Business risk
 - Going concern (CAS 570)
 - Risk of material misstatement (CAS 315)
 - Responsibilities relating to fraud (CAS 240)
 - Materiality (CAS 320)

Types of Engagements

- Review engagements:
 - A review of general-purpose financial statements (8100, 8200, AUG 20, AUG 47)
- Other engagements:
 - Compilation of a financial forecast or projection (AUG 16)

Authoritative Literature

- a) Rules of Professional Conduct
- b) Ethical Principles
- c) *CICA Handbook* — Assurance:
 - Other Canadian standards
 - o Review engagements (all specifically referred to above)
 - o Related services (all specifically referred to above)

SECTION 6: TAXATION

Sources and Computation of Taxable Income

- a) Sources and types of income
 - Office or employment
 - Employee or self-employed, personal services business
 - Business or property income
- b) Capital cost allowance (CCA)
 - General principles and definitions
 - Special rules
- c) Cumulative eligible capital (CEC)
 - General rules
 - Calculation of CEC
 - Acquisition and disposition of eligible capital property
 - Acquisition — non-arm's length
 - Special rules
- d) Taxable capital gains and allowable capital losses
 - General rules, definitions, and computation
 - Identical property rule
 - Proceeds of disposition — allocation
 - Inadequate consideration, gifting
 - Election — disposition of Canadian securities
 - Business investment loss
 - Capital gains reserves
 - Principal residence
 - Listed personal property
 - Small business share rollover
 - Personal use property
 - Special rules
 - Dispositions to affiliated persons
 - Options and convertible property
 - Adjusted cost base — inclusions and deductions
 - Corporate dividend — transfer of property
- e) Other sources of income inclusions and deductions
 - Indirect payments
 - Interest-free or low-interest loans
 - Maintenance
 - Retiring allowance and termination payments
 - Support payments
 - Annuity payments
 - Transfer of retirement income and sheltered amounts
 - Moving expenses
 - Child care expenses
 - Disability support deduction

Computation of Taxes Payable

- a) Tax payable for a corporation
 - Including small business deduction, general tax reduction, RDTOH, refundable Part I tax and Part IV tax
- b) Tax payable for an individual
 - Tax payable under Part 1.2
 - Non-refundable tax credits
 - Refundable tax credits
 - Alternative minimum tax
- c) Computation of taxable income deductions (e.g., donations, loss carry-overs, dividends, etc.)
 - Rules applicable to all taxpayers
 - Scientific research and experimental development
 - Non-resident taxpayers
 - Financially troubled businesses