Subject Outline

ACCY368 Insolvencies
Wollongong
Spring 2004

Lee Moerman
Room: 40.333
Phone: 4221-5575
Email: leem@uow.edu.au

School of Accounting and Finance
Subject details

Description

This subject deals with the causes and symptoms of financial failure and the types of insolvency administrations currently available under Australian Law.

While many of the accounting issues covered are equally applicable to unincorporated entities, the emphasis is on the analysis of corporate failure with references to Australian and overseas case studies. The subject draws upon accounting, management and legal issues and their interaction with political and social factors in the ‘creation’ of an insolvency and in the rehabilitation process.

Objectives

After the completion of this subject the student should be able to:

1. Identify causes and symptoms likely to lead to financial failure and critically evaluate various theories of corporate collapse including the use of insolvency procedures as a management strategy.
2. Identify and explain various creative accounting techniques which may mask the above symptoms from shareholders, creditors and other interested parties.
3. Identify and explain the role of the insolvency practitioner.
4. List and describe the various types of insolvency administrations available under Australian Law.
5. Understand and explain the role of insolvency in an international context
6. Identify the role and impact of the accountancy profession and the effect in a wider social and political arena in insolvency and corporate collapse.
7. Critically evaluate current issues in insolvency.
8. Work and communicate collaboratively.

Method of delivery

Students enrolled in this subject will meet once a week for a two hour session over a 13 week period. In Week 3 time will be allocated for work on the group assessment. The main mode of presentation for this subject is seminars complemented by student presentations. During seminars specific topics and related readings will be discussed. Students are expected to have prepared/read in advance. All students in the subject are expected to participate in the seminar discussions.
WebCT

There is a WebCT site for this subject. There are several ereadings which can be accessed via WebCT (see references) as well as weblinks to sites that students will need for their assignments as well as seminar preparation. WebCT is accessed via http://www.uow.edu.au/student/lol/. Subject announcements will be made via SMP and students are requested to access their SOLS mail for updates.

Study time

This subject is 6 credit points and accordingly has a workload of 12 hours per week inclusive of seminar time.

Lecture/tutorial times

Monday 13.30 – 15.30
Room: 3.121

Major texts


References

- Tomasic R & Whitford K (1997) Australian Insolvency and Bankruptcy Law, Butterworths 2nd Ed
E-readings (available via WebCT or University of Wollongong Library)

- Sykes, T. (1996), Chapter 6 Bond: the ultimate bold rider, in Bold Riders, Allen and Unwin
- Tomasic R & Whitford K (1997), Chapter 1: The Principles of Corporate Insolvency Law, in Australian Insolvency and Bankruptcy Law, Butterworths 2nd Ed, Chapter 1, pp 2-21

**Weblinks** (accessed via WebCT)

The links include, but not confined to:

• Corporations Act 2001
• CLERP 8: Cross Border Insolvency
• Report of the Companies and Securities Advisory Committee (2000) *Corporate Groups*
Contacts

Subject Coordinator/lecturer

Lee Moerman
School of Accounting & Finance
Building No. 40, Room No. 333
Telephone 61 2 4221 5575
Facsimile 61 2 4221 4297
Email Lee_Moerman@uow.edu.au

Consultation times

Consultation times will be posted the School of Accounting and Finance Notice Board at the beginning of session.

Note: emails will be answered during consultation times

Student administration

Telephone 61 2 4221 3927
Facsimile 61 2 4221 4322
Email studentq@uow.edu.au
Student OnLine Services http://www.uow.edu.au/student/sols

Library

Telephone 61 2 4221 3548
Web http://www-library.uow.edu.au

Purchasing of books (Unishop)

Telephone 61 2 4221 8050
Facsimile 61 2 4221 8055
Email unishop@uow.edu.au
Assessment Guidelines

General Criteria

There are three assessment tasks in this subject, a case study, seminar presentation and final examination.

The following are compulsory components of this subject. A failure to complete any of these components may result in a fail:

- Attendance and active participation at seminars.
- Submission of assessment tasks, in the acceptable form required, by the due date.
- Presentation at allocated seminar.
- Achievement of a minimum mark of 50% in the final examination.

Note: assessment tasks may be modified and students will be advised accordingly.

Performance grades

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<thead>
<tr>
<th>Grade</th>
<th>Description</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>HD</td>
<td>High Distinction</td>
<td>85–100%</td>
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<tr>
<td>D</td>
<td>Distinction</td>
<td>75–84%</td>
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<tr>
<td>C</td>
<td>Credit</td>
<td>65–74%</td>
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<tr>
<td>P</td>
<td>Pass</td>
<td>50–64%</td>
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<tr>
<td>F</td>
<td>Fail (unsatisfactory completion)</td>
<td>0–49%</td>
</tr>
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Summary

<table>
<thead>
<tr>
<th>Task</th>
<th>Weighting</th>
<th>Due Date</th>
<th>Return date</th>
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</thead>
<tbody>
<tr>
<td>Task 2</td>
<td>15</td>
<td>Various</td>
<td>2 weeks later</td>
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<tr>
<td>Exam</td>
<td>60</td>
<td>TBA</td>
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</table>
Special Consideration
University policy requires students who, through serious illness or other circumstances beyond their control, are unable to attend an examination or meet any of the other course requirements, to submit medical or other documented evidence as soon as possible after the event to support their request for special consideration.

The evidence should be submitted to Student Inquiries Office. Students should make their request online using SOLS http://www.uow.edu.au/student/.

Supplementary examinations
Students should note that supplementary examinations are not an automatic entitlement on the submission of a request for special consideration. In cases where the decision is made to allow a supplementary examination, students will usually be required to take the examination at a date to be determined by the School within three weeks of the end of the formal examination period. Students will be notified of the exam at least seven days beforehand. It is every student’s responsibility that the University has a correct record of your current address.

Full details of the University’s policy regarding special consideration are available on the web at http://www.uow.edu.au/handbook/courserules/specialconsideration.html students should familiarise themselves with these policies.

Disability Policy
If a student with a disability requires reasonable accommodation in this subject, they are strongly advised to discuss the issues early in the session with one of the following people: the Disability Liaison Officer, Faculty Disability Adviser and/or the Subject Coordinator. Students with a disability should also register with the University of Wollongong Disabilities Unit. More details can be found on the web at http://www.uow.edu.au/student/services/ds/

Non Discriminatory Language
As part of its Equal Opportunity/Affirmative Action initiatives, the University of Wollongong endorses a policy of non-discriminatory language practice and presentation in all academic and administrative activities of the University. The policy is available at http://staff.uow.edu.au/eeo/nondiscrimlanguage.html

Receipt of Assessment Tasks
It is your responsibility to ensure that you have a receipt signed by your lecturer/tutor, acknowledging submission of written work.
Assessment Tasks

**Task 1:** Case Study

Due date: 6th September, 2004 (Week 8)
Return date: 16th September, 2004
Weighting: 25%
Length: 2,500 words

**Learning Objectives**

The case study is designed to introduce the student to corporate failure and the various theories used to explain them, the insolvency legal framework and the role of accounting and accounting professionals in a socio-political context. This assessment will develop written presentation and structure and critical evaluation of these issues. The group component is an opportunity for students to develop their skills as team members and complete a task cooperatively.

**Assessment Details**

The case study is a group assessment task and requires the student to prepare a written case study on a company that is, or has been, insolvent or is in some form of insolvency administration. Each group will be allocated one of the companies listed below. A ballot system for groups to nominate their preferences will be held in the seminar in Week 2 and groups will be notified in Week 3 of the company they are to prepare their case study and presentation (see Assessment Task 2).

1. Reid-Murray
2. Bond Corporation
3. One-Tel
4. Ansett Australia Pty Ltd
5. Pan Pharmaceuticals Ltd
6. Parmalat
7. Patrick Stevedoring Pty Ltd

In your case study a response to the following is required:

- Brief history of the company
- Identification of the factors, including social, economic and political context which attributed to the demise of the company
- Identification and critical evaluation of the role of accounting
- Critical evaluation of the role of the accounting profession, including reference to ethical responsibilities.
Evaluation of whether the principles or purposes of insolvency law - fairness, expedition, efficiency and impartiality have been demonstrated.

Presentation

Submit one copy of the case study in the seminar in Week 8 according to the following presentation guidelines:

a) Word processed
b) 12-point font.
c) Double line spacing with a 3cm margin
d) One page synopsis
e) Referencing guidelines as per Accounting, Auditing and Accountability Journal (see Weblink under “Assessments”)
f) Faculty of Commerce Coversheet attached

Students must retain a copy of their case study for their own records.

Assessment Criteria

Each group member will be allocated the same grade for the case study.

The case study will be assessed according to the following criteria;

a) Structure and Presentation
b) Content – addresses requirements in “Assessment Details”
 c) Writing style – grammar and spelling, sentence construction.

A copy of the marking schedule will be available for students to view on WebCT
**Task 2: Seminar Presentation**

Due date: Various
Return date: Within two weeks (in seminar time)
Weighting: 15%
Length: 1 hour seminar + 500 words

**Learning Objectives**

The presentation has been designed to introduce the student to current and relevant issues in the area of insolvencies in Australia. In application of these issues to a company that has been involved in an insolvency process there is the opportunity for students to link theoretical knowledge to a “real-world” situation. The group component is an opportunity for students to develop their skills as team members and complete a task cooperatively. The presentation will allow an opportunity to develop oral skills and the ability to convey complex issues to an audience.

**Assessment Details**

For this assessment, students are required to work with the same group assigned for the case study (Assessment Task 1). Each group will be allocated 1 hour during the weekly seminar time. The group will present their case study and apply the readings for the topic to the company they have researched. The topics and readings can be accessed from the “Schedule of Topics and Readings”.

For each presentation the group is to;

a) Present a brief overview of the company and their insolvency process.

b) Demonstrate the use and understanding of the prescribed readings.

c) Apply the readings/issues to their case study.

d) Design two exam questions which demonstrate a student’s understanding of the topic.

e) Prepare a handout for the class (500 words) summarising the relevant issues of the topic and the case study and the two suggested exam questions.

f) Use one of the exam questions as a discussion topic and lead a 10 minute class discussion.

**Assessment Criteria/Marking Guidelines**

Each group member will be allocated the same grade for the presentation.

The presentation will be assessed according to the following criteria:

a) Structure, time management during presentation

b) Content – addresses requirements in “Assessment Details”
Task 3: Examination

Date: University examination period
Weighting: 60%
Length: 3 hrs 15 mins

Examination details

EXAMINATION MATERIALS/AIDS ALLOWED

Submission Requirements

Submission

Place of Submission: in seminar unless stated otherwise
Post: Submission by mail must be post-dated on or before the due date and it is the student’s responsibility to ensure that submissions by mail are received
Facsimile: No faxed assignments will be accepted
Email: No emailed assignments will be accepted
Assignment cover: (You must complete and attach a Faculty of Commerce Cover Sheet to the front of your assignment (available at the following web address: http://www.uow.edu.au/commerce/pdf/assignmentcoversheet.pdf or link under “Assessment” on WebCT)

Acknowledgment/Plagiarism

Plagiarism is not acceptable and may result in the imposition of severe penalties. The University provides clear guidelines on its attitude towards plagiarism and how to avoid unintentional plagiarism in the Postgraduate University Calendar, located on the web at http://www.uow.edu.au/handbook/courserules/plagiarism.html

Students are advised to read these carefully. If any doubts remain as to what constitutes plagiarism, students should discuss the matter with the subject co-ordinator

Referencing guidelines as per Accounting, Auditing and Accountability Journal (see Weblink under “Assessments”)

Due Date

The due date is the last date for the University to receive an assignment. The date of submission by post for distance students will be the postmark date stamped on the assignment envelope.

Extensions

Extensions may be granted if circumstances beyond the control of the student interfere with their ability to complete the task on time. These will only be granted by the subject co-ordinator and must be applied for before the due date. It is the student’s responsibility to advise administration of requests for special consideration and the submission of appropriate documentation. The University policy regarding special consideration is at www.uow.edu.au/student/calendar/specialconsideration.html

Please Note: Extensions will not be granted after the due date.
Late submission of any of the components, if accepted, will delay your feedback and incur a penalty of 10% of the available mark per day.

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<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Topic</th>
<th>Readings</th>
<th>Assessment</th>
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<tbody>
<tr>
<td>1</td>
<td>19/7</td>
<td>Introduction</td>
<td>Chap 1 &amp; 2 Adams et al Ch 1 Duns Tomasic et al (1997)* Charles (2002)*</td>
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<tr>
<td>2</td>
<td>26/7</td>
<td>Theories of Corporate</td>
<td>Ch 6 &amp; 7 Adams et al Ch 1 Sykes (1996)</td>
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<td></td>
<td></td>
<td>Collapse</td>
<td>(Sykes 1996)* Hoffman(2001)</td>
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<tr>
<td>3</td>
<td>2/8</td>
<td>Theories of Corporate</td>
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<td>Group discussion</td>
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<td></td>
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<td>Collapse</td>
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<td>time in seminar</td>
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<tr>
<td>4</td>
<td>9/8</td>
<td>Legal Framework</td>
<td>Ch 3 Duns</td>
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<td>Concept of Insolvency</td>
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<td>Winding Up</td>
<td>Ch 5 Duns pp, 145-170</td>
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<td>Ch 11 Duns pp 391-399</td>
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<td>5</td>
<td>16/8</td>
<td>Creative Accounting</td>
<td>Clarke et al (2003)* Ch 3 Adams et al</td>
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<td>Reid-Murray</td>
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<td>6</td>
<td>23/8</td>
<td>Governance &amp; Corporate</td>
<td>Employee entitlements</td>
<td>Presentation</td>
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<td>Responsibility</td>
<td>(Ansett)</td>
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<td>Wise et al (2002)* Ch 8 &amp; 9 Adams et al</td>
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<td>Ch 4 Duns</td>
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<tr>
<td>7</td>
<td>30/8</td>
<td>Consequences &amp; Administration Property</td>
<td>Ch 6 Duns pp.180-9;198-203 Ch 7 Duns Ch 8 Duns (Insolvency only) Keay (1998)*</td>
<td>Presentation One-Tel</td>
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<tr>
<td>8</td>
<td>6/9</td>
<td>Accounting Profession</td>
<td>Ch 4 Adams et al Ch 2 Duns V. Arnold et al* Hines, R*, Kerr, D. *</td>
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<td>9</td>
<td>13/9</td>
<td>Secured &amp; Unsecured</td>
<td>Ch 9 Duns (Insolvency only) Ch 10 Duns (Insolvency only) Ch 12 Duns pp 414017;447-465</td>
<td>Presentation Pan</td>
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<td>Creditors</td>
<td>Lipton (1993)* Anderson (2001)*</td>
<td>Pharmaceuticals</td>
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<td>Alternatives</td>
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<td>Stevedoring</td>
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<tr>
<td>12</td>
<td>11/10</td>
<td>Cross Border Insolvency</td>
<td>Ch 13 Duns CLERP</td>
<td>Presentation Parmalat</td>
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<tr>
<td>13</td>
<td>18/10</td>
<td>Reform &amp; Review</td>
<td>Ch 15 Duns</td>
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</tbody>
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* available as an e-reading
Disclaimer

The School attempts to ensure that the information herein is up to date at the time of production, however we reserve the right to amend without notice in response to changing circumstances.