Subject Outline

ACCY368 Insolvencies
Wollongong
Spring 2003

Lee Moerman
Room: 40.302
Phone: 4221-5575
Email: leem@uow.edu.au

School of Accounting and Finance
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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 weeks 3 & 7 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. WebCT will be the medium for Assessment Task 2 as well as providing the forum for group discussion. There are several readings 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 www.uow.edu.au/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

Tuesday 17.30 – 19.30
Room: 25.128

Major texts


References

- Tomasic R & Whitford K (1997) *Australian Insolvency and Bankruptcy Law*, Butterworths 2nd Ed

References can be obtained by contacting the University of Wollongong Library
E-readings (available via WebCT or University of Wollongong Library)

- 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
Contacts

Subject Coordinator/lecturer

Lee Moerman
School of Accounting & Finance
Building No. 40, Room No. 302
Telephone 61 2 4221 5575
Facsimile 61 2 4221 4297
Email Lee_Moerman@uow.edu.au

Consultation times

Tuesday: 11.30 –13.30
Friday: 13.30-15.30

Note: emails will be answered during consultation times

Student administration

Telephone 61 2 4221 3938
Facsimile 61 2 4221 4322
Email studenq@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
General Criteria

There are three assessment tasks in this subject, a case study, group report 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 of the group report on the due date.
- 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

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

Summary

<table>
<thead>
<tr>
<th>Task</th>
<th>Weighting</th>
<th>Due Date</th>
<th>Return date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Task 1</td>
<td>20</td>
<td>14/10/2003</td>
<td>28/10/2003 Task</td>
</tr>
<tr>
<td>2</td>
<td>30</td>
<td>Various</td>
<td>2 wks from submission</td>
</tr>
<tr>
<td>Exam</td>
<td>50</td>
<td>TBA</td>
<td></td>
</tr>
</tbody>
</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.


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](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 Co-ordinator. 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/disabl.html](http://www.uow.edu.au/student/services/disabl.html)

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](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: 14\textsuperscript{th} October, 2003 (Week 11)
Return date: 28\textsuperscript{th} October, 2003
Weighting: 20%
Length: 2,000 words

Assignment details

The case study is an individual 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. As some companies will be studied in the seminars students are not permitted to use HIH, One-tel, Enron, Bond Corporation or Reid Murray. Students are advised to discuss their choice with the lecturer prior to starting their assignment. Students can chose a case from overseas or in Australia and are not restricted to recent events only.

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.

Assessment Criteria/Marking Guidelines

Students are required to submit their case study, including a one-page synopsis, correctly formatted by the due date. The case study will be assessed on presentation and structure and include coverage of the following,

- 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.
- Identification of stakeholders and critical evaluation of how their competing interests were dealt with by the insolvency administration.
Task 2: Collaborative Online Reporting Tool Exchange (CORTEX)

Due date: Various (see Table 1)
Return date: Within two weeks of submission
Weighting: 30%
Length: 2,500 – 3,500 words

Assignment details

This is a group assignment utilising a collaborative online reporting tool (CORTEX) to produce a group report. CORTEX can only be accessed via the homepage on WebCT. Students will be asked to form groups of 3-5 students and decide on an issue from the Parliamentary Joint Committee on Corporations and Financial Services (2003) Improving Australia’s Corporate Insolvency Laws Issues Paper (link under “Weblinks” on WebCT or http://www.aph.gov.au/senate/committee/corporations_ctte/ail/issuespaper.doc). Issues to be addressed in the student’s report are listed below. **Groups must choose one of these issues only.** Each issue has several questions that need to be addressed and group size will affect the choice of issue. Students will then prepare individual responses to the questions assigned to them via their group. These individual responses will be amalgamated into a group report and students will then assign responsibilities to complete the report e.g. editing, introduction and conclusion. Each student must have responsibility for at least one task. A detailed set of instructions for the use of CORTEX follows (pp. 14-15). In Weeks 10-13 students have the opportunity to present their findings to the class and prepare a brief summary for distribution to other students. In Week 13 an individual reflective critique will be submitted. To facilitate communication, discussion space for each group will be available from the end of Week 2 on WebCT.

Learning Objectives

The report has been designed to introduce the student to current and relevant issues in the area of insolvencies in Australia. The individual contribution and the collaborative report will further develop the techniques of narration, summary, analysis and evaluation. The group component is an opportunity for students to develop their skills as team members and complete a task cooperatively. The use of collaborative communication will further develop oral and written aspects of teamwork through multi-authorship, which promotes sustained interaction, and negotiation of consensus. The use of CORTEX will introduce the student to groupware, which will enlarge the knowledge base for students and promote reader-based writing in an on-line environment (McKay & Rosa, 2000).
Assessment Criteria/Marking Guidelines

Each group is to choose one issue as the basis of their report. The students are required to:

Individually,
- Research, address and provide a written response, formatted according to the format guidelines provided, to the question/s allocated by their group (Note: only one student can answer each question). Although students can incorporate the information from the issues paper, they are required to provide a response that answers the question asked.
- Have the responsibility for an authorship task once the report is generated
- Submit a reflective critique. The reflective critique should address whether the learning objectives of the assessment have been reached and what actions could the coordinator or you have taken to achieve those objectives.

Collaboratively,
- Choose an issue to report, allocate questions and authorship tasks
- Present a written report using CORTEX. The report must:
  - Include a one page executive summary,
  - Address each of the questions identified and make recommendations,
- Present in the seminar a brief summary of their findings and recommendations and provide a one-page summary for the class.

Issues
Groups are to select one issue to address. The groups can be 3-5 students. As each issue has a different number of questions the size of the group will influence the issue chosen. The questions listed in the Parliamentary Joint Committee on Corporations and Financial Services (2003) Improving Australia’s Corporate Insolvency Laws Issues Paper

Issue: The Appointment, Removal and Functions of administrators and liquidators

Issue: The duties of directors.

Issue: The rights of creditors.

Issue: The treatment of Employee Entitlements.

Issue: Compliance with and effectiveness of, deeds of company arrangement, and, whether special provision should be made regarding the use of phoenix companies.
<table>
<thead>
<tr>
<th>Week / Date</th>
<th>Task</th>
<th>CORTEX Procedure (Table 2)</th>
<th>Assessment</th>
<th>Mark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Week 2</td>
<td>Form groups of 3-5 students and advise subject co-ordinator of names of members for discussion groups on WebCT. Decide on week for presentation (Wk 10-13)</td>
<td>A1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Week 3</td>
<td>Groups decide issue in order of preference (time allocated in seminar) Groups &quot;claim&quot; topic from WebCT using the CORTEX function. Assignment of different questions to individual group members.</td>
<td>A2, A3, A4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.30am Thursday 7th August 2003</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Week 6</td>
<td>Individual contributions to questions allocated in Week 3 completed and submitted to group report.</td>
<td>A5, A6, A7, B7</td>
<td>Individual 500 word contribution</td>
<td>10</td>
</tr>
<tr>
<td>5.00pm Tuesday 26th August 2003</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Week 7</td>
<td>Groups to assign tasks/responsibilities for final report (time available in seminar)</td>
<td>B8, B9, C10, C11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Week 9</td>
<td></td>
<td>C12</td>
<td>Group report due in seminar</td>
<td>10</td>
</tr>
<tr>
<td>Week 10-13</td>
<td>30 minute presentation in the seminar of findings /highlights of issue.</td>
<td></td>
<td>Group Presentation including a one page handout for the class members</td>
<td>5</td>
</tr>
<tr>
<td>Week 13</td>
<td></td>
<td></td>
<td>Individual reflective</td>
<td>5</td>
</tr>
</tbody>
</table>
Using CORTEX.

CORTEX is a collaborative, online, report-writing tool. As it is based on a database and as it is online, members of the group do not need to be in the same location or working at the same time. There are three stages to report writing using CORTEX. The stages are labelled A, B and C and are:

A  Individual contributions,

B  Writing the content of the group report, and

C  Editing the group report.

In each stage only minor editing can be carried out in CORTEX. The development of individual contributions and new paragraphs must be undertaken in a word processing program from which they can be copied and pasted to CORTEX.

CORTEX can be accessed only via the link on the homepage of the WebCT site for this subject.

You must keep hard copies of your individual contribution and group report as you may be asked to submit a hard copy for assessment.
Table 2: CORTEX Procedure.

<table>
<thead>
<tr>
<th>Stage</th>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>1</td>
<td>Students form groups of 3-5.</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>Through negotiation, the group decides on an issue from the Parliamentary Joint Committee on Corporations and Financial Services (2003) <em>Improving Australia’s Corporate Insolvency Laws Issues Paper</em> (link in WebCT). The group report will be on the selected issue.</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>Groups are assigned a <em>codename</em> by the lecturer which is their user id and password for log-in to CORTEX (the password can be altered after initial log-in). The issue is then claimed from the CORTEX site.</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>Through negotiation, individual group members are assigned a question from the issue.</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>Individuals prepare responses to the questions. (This must be done in a word processing program and a hard copy kept by each student for possible assessment). The responses become individuals' contribution to the first stage of the group report. Contributions should be approximately 500 words long.</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>Individuals locate their group’s “Individual Contributions” page of CORTEX. They then copy their contribution and paste it and their name to the “Individual Contribution” page. At any stage the <em>save</em> button on the “Individual Contribution” page may be pressed to save the work in progress.</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>When individuals of the group are ready to submit their contributions to the group report they press the “Group Report” link (must be prior to due date and time in Table 1). This marks the transition from individual contributions to the group report. At this stage a copy of individual contributions is saved to the database for future reference. Clicking the “Group Report” link amalgamates the individual contributions on a single page called “Group Report”.</td>
</tr>
<tr>
<td>B</td>
<td>8</td>
<td>The “Group Report” then needs to be edited into a cohesive whole. At any stage the “save” button on the “Group Report” may be pressed to save the work in progress.</td>
</tr>
<tr>
<td></td>
<td>9</td>
<td>Through negotiation within each group each member is assigned a task to complete the report. Tasks may include but are not limited to: writing the introduction, writing the conclusion, writing linking paragraphs, editing for stylistic cohesion, grammar and spelling. The final length of the group report should be approximately 3000 words. While minor editing can be carried out on the “Group Report” page, it is recommended that the new paragraphs be created with a word processing program, copied and pasted into the “Group Report” page.</td>
</tr>
<tr>
<td>C</td>
<td>10</td>
<td>The new paragraphs (that is, the introduction, conclusion and linking paragraphs) are written and pasted into the “Group Report”. As more than one person can be working on the report at any time it is important to click the <em>refresh</em> or <em>reload</em> button on your browser immediately before pasting.</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>When all the new paragraphs have been added the report is ready for editing for style, grammar and spelling. This should be carried out by copying the report from “Group Report” window into a word processor file, performing the editing, and pasting back into the “Group Report” window.</td>
</tr>
</tbody>
</table>
When the group decides that the report is complete the “publish” button is pressed. This sends a copy of the finished report to the lecturer for assessment and links a copy of it from the CORTEX homepage.

### Task 3: Examination

**Date:** University examination period  
**Weighting:** 50%  
**Length:** 3 hrs

**Examination details**

**Assessment Task Format Requirements**

For all assessment tasks the following presentation requirements apply:

- Word processed
- 12-point font.
- Double line spacing with a 3cm margin
- One page synopsis
- Referencing guidelines as per *Accounting, Auditing and Accountability Journal* (see Weblink under “Assessments”)
- Faculty of Commerce Coversheet attached (see Weblink under “Assessments”)
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](http://www.uow.edu.au/commerce/pdf/assignmentcoversheet.pdf) or link under “Assessment” on WebCT)

*Collection:* in seminar time

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](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](http://www.uow.edu.au/student/calendar/specialconsideration.html)

**Please Note:** Extensions will not be granted after the due date.

Late submission
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.

**ACCY 368/968 SCHEDULE OF TOPICS & READINGS**

<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Topic</th>
<th>Readings</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>22/7</td>
<td>Introduction</td>
<td>Chap 1 &amp; 2 Adams et al Ch 1 Duns Tomasic et al (1997)* Charles (2002)*</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>1/7</td>
<td>Theories of Corporate Collapse</td>
<td>Ch 6 &amp; 7 Adams et al Ch 1 Sykes (1996)* Reid –Murray (Sykes 1998)*</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>8/8</td>
<td>Theories of Corporate Collapse</td>
<td>Bond (Sykes 1996)* Hoffman(2001)* McRobert (2001)*</td>
<td>Group discussion time in seminar</td>
</tr>
<tr>
<td>4</td>
<td>15/8</td>
<td>Creative Accounting</td>
<td>Clarke et al (2003)* Ch 3 Adams et al</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>22/8</td>
<td>Accounting Profession</td>
<td>Ch 4 Adams et al Ch 2 Duns V. Arnold et al* Hines, R* , Kerr, D. *</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>29/8</td>
<td>Legal Framework</td>
<td>Ch 3 Duns Ch 5 Duns pp. 145-170 Ch 11 Duns pp 391-399</td>
<td>Individual contributions to CORTEX</td>
</tr>
<tr>
<td>7</td>
<td>5/9</td>
<td>Governance &amp; Corporate Responsibility</td>
<td>Employee entitlements (Ansett)* Wise et al (2002)* Ch 8 &amp; 9 Adams et al Ch 4 Duns</td>
<td>Group discussion time in seminar</td>
</tr>
<tr>
<td>8</td>
<td>12/9</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></td>
</tr>
<tr>
<td>9</td>
<td>19/9</td>
<td>Secured &amp; Unsecured Creditors</td>
<td>Ch 9 Duns (Insolvency only) Ch 10 Duns (Insolvency only) Ch 12 Duns pp 414017;447-465 Lipton (1993)* Anderson (2001)*</td>
<td>Group Report</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Recess</td>
</tr>
<tr>
<td>11</td>
<td>17/10</td>
<td>Cross Border Insolvency</td>
<td>Ch 13 Duns CLERP*</td>
<td>Presentation</td>
</tr>
<tr>
<td>12</td>
<td>24/10</td>
<td>Reform</td>
<td>Ch 15 Duns</td>
<td>Presentation</td>
</tr>
<tr>
<td>13</td>
<td>31/10</td>
<td>Review</td>
<td></td>
<td>Presentation</td>
</tr>
</tbody>
</table>
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.