Subject Programme - Spring Session 1998

Lecturer & Subject Co-ordinator
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Consultation times:
Monday 9.30 - 10.30 am
11.30 - 12.30
Tuesday 9.20 - 11.20 am

Lecture/Seminar Time
Tuesday 4.30pm - 6.30pm Building 40 Room 125

Subject 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.
Subject Objectives

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

1. Identify causes and symptoms which are likely to lead to financial failure.
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 political and social nature of both the forces “creating” an insolvency and the processes that deal with insolvent firms.
6. Understand and explain the use of insolvency procedures as a management strategy.

Prescribed Texts

Tomasic R. & Whitford K
1997 *Australian Corporate Insolvency Law*, Butterworths 2nd Ed

Naser K.

Sykes T.
1994 *The Bold Riders - Behind Australia’s Corporate Collapses* Allen and Unwin

Articles and Readings

The schedule of topics and readings includes references which are not on the textbook list. These and other relevant readings will be made available to students through the Resource Room, Building 40 Room G 13.

Students will be expected to complement the set required readings with further research from the supplementary reference list and from journal articles.

Other texts to which reference may be made INCLUDE:

1. Australian Bankruptcy Act 1966 and Rules, 11th Ed. CCH
2. Australian Corporations & Securities Legislation, CCH
3. Australian Society of CPA’s, CPA Programme Insolvency Module
References (cont.)


Method of Instruction/Attendance Requirements

Students enrolled in this subject will meet once a week for a two hour session over a 14 week period. The main mode of presentation for this subject is by lectures and seminars complemented by student presentations. During seminars specific topics and related readings will be discussed as well as any other set work which students are expected to have prepared. All students in the subject are expected to participate in the seminar discussions.

Submission and return of work

Seminar assignments, essays and case study must be submitted during the lecture/seminar session on the due date. Submission by fax will not be accepted. Submission by mail must be postdated on or before the due date and it is up to the student to ensure that submissions by mail are received. You must keep a copy of any work submitted. All submitted work must include a completed copy of the cover sheet attached to this outline. Please ensure that, on submission, the lecturer acknowledges receipt of your work by completing and returning the bottom section of the cover sheet. One copy of the cover sheet is attached to this outline. Work submitted will also be returned to students during seminar times.

Late Submissions/Requests for extension

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. Requests for extensions must be received on or before the due date. Other work commitments will not be considered sufficient reason for extensions. Medical certificates must be lodged with Student Administration (not to the Department of Accounting and Finance). However, a copy could be forwarded to the lecturer together with any request for extension.

The case study must be presented on the week allocated as other weeks will have similar bookings. Therefore please keep this in mind when choosing the week to present the case study.
Approximate Workload for this Subject:

In line with the guidelines set out in the University of Wollongong Postgraduate Calendar, this subject, (which has a value of 6 credit point) has a workload 12 hours per week inclusive of lecture time, (ie 168 hours over the entire session).

Subject Requirements and Method of Assessment

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 seminar assignment
- submission of essays in academically acceptable form and within the time and length limit specified
- case study presentation and submission on due date
- achievement of a minimum mark of 40% in the final examination

The composite mark will be made up as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>Marks</th>
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<tbody>
<tr>
<td>Seminar Participation</td>
<td>5</td>
</tr>
<tr>
<td>Seminar tasks/questions</td>
<td>10</td>
</tr>
<tr>
<td>Essay</td>
<td>20 marks (Approx 2000 words)</td>
</tr>
<tr>
<td>Case Presentation and Submission</td>
<td>20</td>
</tr>
<tr>
<td>Final Examination</td>
<td>45 marks</td>
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<tr>
<td>Total</td>
<td>100</td>
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Disability Issues

If a student with a disability requires reasonable accommodation in this subject, he/she is 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.

Supplementary Examination

Refer to the University of Wollongong’s General Information Calendar 1998.

Supplementary examinations will only be granted in exceptional circumstances and at the discretion of the Departmental Chairman. If you have submitted medical evidence etc and expect to be granted a supplementary exam you may be advised with very short notice so you should be prepared. However, we stress supplementary examinations are not granted to everyone submitting medical etc evidence.

Tutorial Participation (5 marks)

Preparation and active participation in class discussion will contribute to 5% of the total assessment. The mark allocated for tutorial participation will be based on clear indication that the student has read and thought through the issues in the cases and materials covered during the seminar. Students must attend a minimum of 75% of the tutorials.
Seminar Work (10 marks)

Task 1 - Summary due in Week 4 - 11 August (length 300-4500 words)
Summarise the causes of collapse of Reid Murray Holdings (Sykes 1988 Ch 14). 3 marks

Task 2 - Summary/outline due in Week 5 - 18 August (length 300-400 words)
Outline the key social, economic and political factors existing in the 1970-1980’s which promoted and facilitated the growth of questionable organisations that eventually destroyed the savings of thousands of investors (Sykes 1994 Chs 1, 2, & 3) 3 marks

Task 3 - Answer the following question: due in Week 6 - 25 August
The Victorian based administrator of Last Chance Ltd, Keff Jennett, has been unable to conclude a deed of company arrangement for the company, and the company’s creditors have resolved to wind up the company instead.
   i) Explain the transition to a winding up following the administration of a company.
   ii) Could the company be wound up by the court?
   iii) Advise a creditor, Alamada Finance Ltd, which has approached the court to have Keff Jennett removed as liquidator on the grounds that he is an associate of Last Chance’s director, Felicity Furrows, via Jennett’s directorship of another company owned by Furrows. 4 marks

Essay (20 marks)

Due Date: Week 10, (Tuesday 22 September)
Topic:
Some of the largest corporate financial disasters could have been avoided, or at least minimise, had the Accounting Profession - via the external auditor, carried out its task in an ethical, responsible way. The greed of the auditing firms was almost on par with that of their clients.

Critically discuss this statement in light of the corporate collapses experienced in the late 1980’s to early 1990’s. Your discussion should include an exposure of the Accounting Profession’s and individual auditors’ position in terms of duty, interests and power relations within the prevailing social and political environment.

Objectives: To identify accounting’s role in the wider insolvency context. Also, objectives 2 and 5 of the subject.

Presentation Requirements:
1. Essay should be approximately 2000 words long. Any essay above 2500 words will be given a greatly reduced mark.
2. An original and one copy of each essay must be submitted. The essay must be handed in during the seminar on the 10th week.
3. The essays must be typed or word-processed using double-line spacing with a 2 cm margin.
4. Essays must include a synopsis and a list of references or a bibliography.
5. Students may be required to submit a copy of journal articles referred to in the essays.
6. Essays must have a completed submission/acknowledgement cover sheet attached.

Essays that do not comply with these presentation requirements will be substantially penalised.
Plagiarised essay, which includes copying the work of another student, will receive a mark of zero. Sources of ideas, quotes etc. must be properly acknowledged and referenced. (The University’s policy on plagiarism is outlined under “Acknowledgement Practice” in the General Information Calendar, 1998).

Guidelines for Language Usage.

It is a requirement of this subject that non-racist and non-sexist language be used. A useful reference book in this respect is:


Case Study Presentation and Submission (Total 20 marks)

Submission Due Date for written summary (all students): Week 9 (Tuesday 15 September)

There are two elements to this component of the subject:

1. Case Study presentation:

Each student is required to elect a suitable time, within the seminar period, to present a case study, based either on one of the Companies listed in the Schedule of Topics or one approved by the subject coordinator. Each case study will be presented by one-two students (depending on class size) and will last approximately 30 mins (max 40 mins).

The presentation will be assessed on:
- a demonstrated understanding of key issues relating to the collapse, including the accounting manipulations and management action/inaction
- evidence of extensive reading (ie other articles as well as the relevant Sykes chap. if applicable)
- creative, innovative presentation
- achievement of active participation from the class.

[If presenters require any equipment additional to that normally provided in the lecture room, they will have to make arrangements themselves or notify the lecturer two weeks prior to the presentation.]

2. Written submission of the case study: (all due on the same date, ie week 9, 15 September)

In the written submission of the case study, students must include/achieve the following:
- integration of the issues in the case study with the topics covered for that week and/or previous weeks
- identification of creative accounting techniques used and how such techniques were utilised
- identification, where possible, of the roles/involvement (internal and external) of the accountancy profession in the financial disaster
- identification of other factors that were used to legitimise many of the transactions, and in some cases, the organisations themselves
- identification of a point in the history of the collapse where you think some sort of insolvency administration would have been warranted and why
- a summary of your findings.
Submission requirements (case study)

* Length, approx 2000 words
* An original and one copy of the written submission must be handed in for each case presented irrespective of the number of students presenting the case.
* The submission must be in academically acceptable form and include a synopsis and a list of references (similar to essay requirements)
* Students may be required to submit a copy of references.

Please note: While each of these components are of equal value, no mark will be allocated to the written submission unless the student/s presents the case on the seminar allocated to him/her/them.
Department of Accounting and Finance
University of Wollongong
Accy 368/968 Submission Cover Sheet

(please attach this sheet to the front essays and case study submission)

Student Name .................................................................

Student Number .............................................................

Declaration:

I, ________________________________________________________ declare that I have read, understood and adhered to the University of Wollongong Acknowledgement Practice, as per Under/Postgraduate (whichever applies) Calendar, 1998.

________________________________________________________________________

This section will be completed by the lecturer and returned to the student as acknowledgement of receipt of work.

I have received Essay / Case Study Submission from

_________________________________________ today the ________________________________.

Signed ________________________________

C. Spasich.