**MSU College of Business**

**Department of Accounting and Business Law**

**MACC 661 International Accounting Fall 2018**

Instructor: Dr. Oksana Kim

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Office hours: TH 9.30 – 11 am; 2-4 pm, or by appointment.

Meeting time and place: Tuesday 6-9.15 pm (MH 211), first 8 weeks.

**Course description**

Over the past decade, many countries across the globe have adopted the International Financial Reporting Standards (IFRS). Those counties differ in their adoption practices, primarily due to variation in political, cultural, and economic factors. The IFRS have emerged as an alternative to the US GAAP and have been widely accepted by the accounting practitioners all over the world. The emergence of the common set of accounting standards such as IFRS is dictated by the integration of the international capital markets and gradual elimination of trade barriers, which allows firms from various previously closed countries to raise capital abroad, either via equity, debt issuance or by other means. As of today, 140 countries use the IFRS, and from 2005 the European Union requires all companies listed in Europe to report in accordance with IFRS. Moreover, in the United States foreign cross-listed companies were allowed to forgo US GAAP and report under IFRS, beginning in 2008.

Most market players recognize that international capital markets will function better if only one set of accounting standards is used. In the past years the IFRS and US GAAP, the world’s two major sets of accounting standards, have been converging. The IASB and the FASB, the respective standard setting bodes, issued a road map in an effort to make the US GAAP and IFRS more closely aligned. US companies are allowed to use US GAAP when listing abroad, and IFRS-reporting companies are no longer required to reconcile their financials to US GAAP when listing in the US.

In this course we will primarily focus on the IFRS reporting practice of various countries. In addition, we will examine the differences between the major classes of assets and liabilities reported in accordance with IFRS and US GAAP. In doing so, we will examine factors that cause those reporting differences, as well as analyse financial statements of companies producing more than one set of financials.

**Course learning outcomes**

1. Integrate theoretical knowledge of IFRS into complex reporting tasks such as transformation of foreign currency-denominated financials into domestic accounting standards and translation and restatement of financial statements of foreign subsidiaries.

2. Analyze factors that cause reporting differences between IFRS and US GAAP through reference to financial statements of multinational corporations.

3. Determine the impact that the IFRS-US GAAP reporting differences would have on presentation of companies’ financial statements, as well as the decision making process of investors, auditors, analysts, and other capital market participants.

3. Analyze and suggest remedies for risks faced by multinational corporations.

4. Perform high level analytical review of financial statements prepared in accordance with IFRS and US GAAP.

5. Analyze the timing, strategy, and approach used by global jurisdictions in relation to adoption of IFRS at a national level.

6. Integrate the data obtained from analytical sources into the analyses of the nations’ decisions to adopt IFRS. Determine nations’ future perspectives with respect to adoption of IFRS.

## **Accounting major learning outcomes**

A student completing a major in accounting at Minnesota State University, Mankato, should be able to:

1. Apply accounting techniques, rules, concepts and research methods to solve problems in all areas of accounting;

2. Analyze legal issues related to contracts and other business transactions;

3. Demonstrate knowledge of accountants’ professional responsibilities and the ability to evaluate ethical issues facing accountants;

4. Use computer software to solve accounting and business law problems; and

5. Demonstrate competency in oral and written communications related to accounting and business law issues.

**College of Business learning outcomes**

1. Students can demonstrate competency in professional written communications and formal oral presentations, appropriate to their discipline(s).

2. Students can identify leadership characteristics and can use team building and collaborative skills to accomplish group tasks.

3. Students can use technology appropriate to their discipline(s).

4. Students can recognize legal and ethical problems in business, are aware of their potential consequences, and can propose and defend alternate resolutions.

5. Students can analyze business problems utilizing information technology and research methods appropriate to their discipline(s), and then use the results in business decision making.

6. Students can integrate and use information from different business disciplines.

7. Students will also meet program learning outcomes as established by each program.

**Statement of academic honesty**

All students are expected to uphold the university’s policies for academic honesty. Students are also expected to report any suspected academic dishonesty. Academic dishonesty includes such activities as plagiarism (using someone else’s words or ideas without proper citation), the use of unauthorized resources to complete homework, projects, quizzes, or exams (getting assistance from other students, using any part of papers or exams from prior semesters, using notes during a quiz or exam, copying tests or assignments), signing another student’s name on an attendance sheet, completing an online exam or quiz from an unauthorized location, or any other act that meets the university’s definitions of academic dishonesty or plagiarism. Any student found guilty of academic dishonesty will, at a minimum, receive an “F” in the course and could be referred for misconduct proceedings and potentially suspended or expelled from the university.

**Assistance for students with disabilities**

Every attempt will be made to accommodate qualified students with disabilities. If you are a student with a documented disability, you must contact the Disability Services Office at (507) 389-2825(V) or 1-800-627-3529 (MRS/TTY) to arrange for an accommodation plan. That office will then arrange the allowed accommodations with your instructors.

**Teaching methods and course material**

The main textbook for the course is “International Accounting” by Doupnik and Perera (Third edition). The book is available in the book store and in the library. I will assign selective problems from the book that you have to attempt yourself. I will later post answers to those problems. It is essential that you practice assigned questions to be ready for the exams. I will post presentation slides on D2L before class. You may find it helpful to print them out and bring with you.

**\*\* Assignment**

There is one assignment the complete description of which is posted on D2L. This is a group assignment and I suggest that you start working on the assignment as early as possible, provided that does not require any specific knowledge of IFRS.

**\*\*\* Exams**

There will be 2 closed book exams. The following procedures apply to the exams:

* Exams will be based on the material presented in class, as well as material covered in the book and study problems;
* If you fail to turn in the exam, you will receive a zero grade;
* Any absence from an exam must be approved, otherwise you will receive a zero grade;
* You have the right to review your exam by making an arrangement with me. If you notice a mistake in grading your exam, please bring it to my attention immediately.

**\*\*\*\* Homeworks**

There will be a number of problems assigned each week. We will solve selective problems in class, I will post solutions to home works on D2L. Please self-review the rest.

**In-class behaviour**

Please turn off your cell phones while in class. If I notice that you use your laptop for non-academic purposes, I will ask you to leave the room. If you need to make notes, you are advised to print the slides before the class and make written notes, or use your laptop. Students are expected to be on time and attend every class. If regular cases of non-attendance or late attendance occur, I will introduce penalties. Questioning the syllabus content and other aspects of the course, besides the covered material, should not be done during the class time. If your in-class behavior is distracting, you will be asked to leave.

**Evaluations**

Your total grade for the course will be calculated based on the following:

Group Assignment 20%

Participation 10%

Exam 1 35%

Exam 2 35%

**Total 100%**

The final grade for the course is as follows (with some degree of flexibility):

**A** = 93% - 100%

**A-** = 90% - 92.9%

**B+** = 87% - 89.9%

**B** = 83% - 86.9%

**B-**  = 80% - 82.9%

**C+** = 77% - 79.9%

**C**  = 73% - 76.9%

**C-** = 70% - 72.9%

**D+** = 67% - 69.9%

**D**  = 63% - 66.9%

**D-** = 60% - 62.9%

**F** = 59.9% and below

Please see the detailed syllabus by date below. Good luck!

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| **Week / Date** | **Topic** | | **Assigned reading** | **Homework/Exam** | **Note** |
| **Oct 23** | Introduction to International capital markets. Raising capital on different markets: NYSE, NASDAQ and AMEX versus LSE.  Accounting diversity; International convergence of financial reporting standards. | | Background reading: Chapter 1, 2 and 3; presentation slides | Questions and problems at the end of Ch. 1 and 2; Case 1-1, Case 1-2; Daimler-Benz case study;  Questions and exercises/problems at the end of Ch. 3 | NOT COVERED: Material beginning on page 33 -42 (Accounting clusters and further) |
|  | **IFRS Part 1: Assets** | |  |  |  |
| **Oct 30** | Overview of major differences between IFRS and US GAAP. Inventory, PPE and Intangibles. | | Chapter 4 | Questions 1-13; problems 1-15; 19, 20, 24 | NOT COVERED: Goodwill (p. 137) and Leases |
| **Nov 6** | Disclosure and presentation standards: Cash Flow Statement, Events after the reporting period, related party disclosure, change in accounting estimates and errors; Operating segments and discontinued operations. | | Chapter 4 | Problem 39; Case study 4-1 |  |
| **Nov 13** |  | |  |  |  |
| **Exam 1 – Chapters 1-4** | |  |  | Exam 1 |
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|  | **IFRS Part 2: Liabilities and FOREX market** | |  |  |  |
| **Nov 20** | Current liabilities: Provisions, contingent liabilities, onerous contracts, restructuring. Employee benefits. | | Chapter 5 | Questions at the end of the chapter; problems 1-10, 14, 15, 19 | Income tax, deferred tax, share-based payments not covered. |
| **Nov 27** | Employee benefits cont’d. Revenue; Financial Instruments. | | Chapter 5 | Problem 39, case study 5-1; in-class handout | SKIP reading Revenue (p. 197 onwards), as this standard has been fully revised recently. There will be a separate handout provided for ‘Revenue from Customers’ standard. |
| **Dec 4** | | Transaction versus Translation exposure. Accounting for foreign currency transactions.  **Hedging foreign exchange risk**  Accounting for derivatives. Forward/futures contracts; Options contracts | Chapter 7 | Questions at the end of the chapter; Case study 7-1.  Problems 1-7; 14, 15  Problems 21, 22 | NOT Covered: Hedge of Forecasted Transactions |
| **Pending date** | | **Exam 2 – Chapters 5, 7** |  |  |  |