



UniSA

BUSINESS
ENTERPRISE

Accounting For Decision Making

Introductory Seminar

An Introduction to Accounting



Access:

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- 8302 9116
- *Location:*
School of Commerce
University of South Australia
City West Campus
Room WL3-39
Way Lee Building

Yes, I'm an
ACCOUNTANT
But I use
my powers
for GOOD

A little about me ...

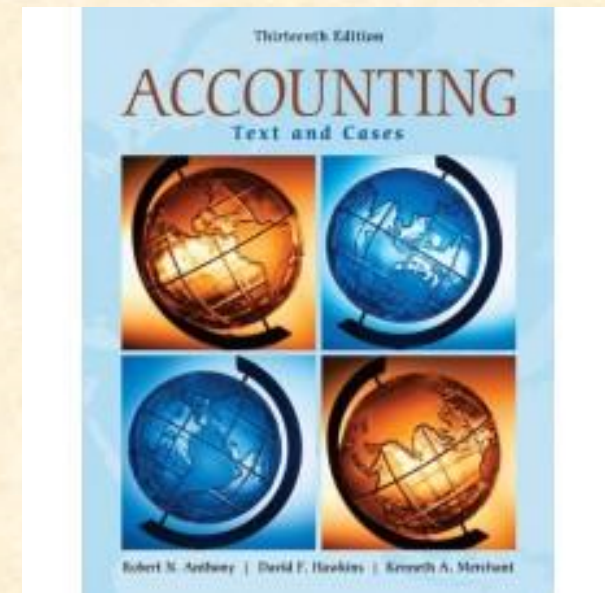


- Teach at the School of Commerce undergraduate & postgraduate Masters Program
- Worked for International Management Consulting Firm & South Australian based Practice in Australia, UK & USA
- Consulted in areas of Strategic Management, Performance Measurement, Financial Analysis, Cost Reduction, Management Control
- Research interest: Management Control and Strategy; the relevance of academic research to practice; Social Network Theory.

Textbook...

❖ Anthony RN, Hawkins DF & Merchant KA 2011, *Accounting: text & cases* - International Edition, 13th Ed, McGraw-Hill/Irwin.

❖ This is an essential text!



The Course Home Page...

- ✓ **Course Outline**
- ✓ **Study Guide**
- ✓ **PowerPoint Presentations for each topic**
- ✓ **Assignment Submissions**
- ✓ **Discussion Board**



Seminar & study schedule...

Week	Date	Topic	Case Study	Reading
1	Tuesday 26 th July	An introduction to accounting Topic 1 - Understanding Financial Statements Topic 2 – Cash Flows & Annual Reports	No Case for this session	Ch 1, 15 Ch 2 & 3 Ch 11
2	Tuesday 9 th August	Topic 3 – Ratios & Financial Analysis	Case 1-2 Kim Fuller Case 13.3 Identify the Industries Case 13.4 Supplement to Identify the Industries Case 17.3: Shelter Partnership Inc	Ch 5, 7, 13 & 17

Week	Date	Topic	Case Study	Reading
3	Tuesday 23 rd August	Topic 4 – Understanding Costs Topic 6 – Analysing Cost Behaviour	Case 16.2: Prestige Telephone Company Case 18.6: Midwest Office Products	Ch 16 Ch 18
4	Tuesday 6 th September	Topic 7 – Costing Products and Services Topic 8 – Budgeting & Control	Case 24.1: Body Glove	Ch 22, 23 & 24 Ch 27
5	Tuesday 20 th September	10.30am – 1.30pm: EXAMINATION		

Assessment

- Group analysis of financial reports 35%
- (3) Case study write-ups (*10% each*) 30%
- Open Book Examination 35%

Group Analysis of Financial Reports (30%)

- ***Due Date:*** 11am Monday 22nd August (via Course homepage)
- **Task:**
Evaluate the financial performance, cash flow and financial position of an Australian power organisation of your choice for the financial year ended 2015.
Consider the performance of the company from the perspective of a Board member.

Case study write-ups *(3 x 10% each) = 35%*

Each Case Study Report is 750 words

Due Date:

- 11am Monday 19th September (submit via Course homepage ~ Word document only)

Task:

- For each Case Study, explain:
 - The main **learning outcomes** from analysis of the case, and;
 - How those outcomes may be **applicable** in your own organisation, or an organisation with which you are familiar
- The cases are in the text book, and will have been discussed in class during the Seminar.

Final Exam (35%)

- 10.30am - 1.00pm Thursday 20th September
- Will cover all of the topics in the course
- Will comprise four questions, and all questions are compulsory
- Slightly higher weighting towards issues arising from Topics 4-8 in the Course
- Both quantitative and qualitative questions
- Will seek to assess the extent to which we are able to apply our knowledge and skills acquired throughout the course, to situations requiring decision making and/or problem-solving.

A little about you ...

- Name and work experience
- Experience/Familiarity with Accounting
- Objectives in this course

FAQ's...

1. What Is Accounting, and Why Should I Study It?





- ❖ The picture represents a flower as seen through the eyes of a human (left) and a bee (right)
- ❖ Flowers that appear similar to us look very different to a bee, which can see colors in the **ultraviolet** range of the spectrum
- ❖ In the same way, **situations within an organization** that appear similar to the typical **manager** look very different to the **accountant**, **who can see distinctions** described by the rich set of terms and techniques we will cover in our course.

2. What If I Don't Want to Be an Accountant?

❖ Good ✓

❖ But...

- ...you will definitely work *with* them
 - and quite likely, work *for* them, & they may work for *you*
- Accountants are among the *most likely* people to become leaders of organizations
- Accountants are *strongly represented* on boards of directors, in executive roles and at the CEO level
- One or two courses in accounting *won't make you an accountant*, but they will *help you understand* how the accountants you work with - and for - *see the world*.



3. What If I'm already an Accountant/have experience in accounting/have taken accounting courses in the past?

- ❖ Even seasoned professional accountants will encounter a good deal of **new material** in this course... & learn to see familiar material through new eyes
- ❖ Most accounting courses **focus heavily on the rules** accountants use
- ❖ In contrast, this course emphasizes that the **numbers** on financial statements are merely **imperfect reflections** of what we are trying to measure; I devote much of the course to **understanding** those imperfections and explaining why they matter.

4. What Background Do I Need to Succeed in the Course?

- ❖ I introduce each topic from **scratch**
- ❖ So if there is material you haven't seen or don't remember as well as you'd like, **you will have the time and materials** you need to get up to speed.
- ❖ Each topic **builds on** the previous one
- ❖ So try **not** to fall behind...

5. Why Focus on Terminology?

- ❖ Accounting is often said to be the **language of business**
- ❖ You can't succeed if you don't **understand** what your colleagues are telling you, or if you can't **express** your own views clearly and concisely
- ❖ Business professionals **listen, talk, and write for a living**, and people judge you by the terms you know.
- ❖ They will judge you **harshly** if you don't know a basic term, and they will judge you **favorably** if you can use a term to articulate a key **difference** between two seemingly **similar** situations, or a key **similarity** between two seemingly **different** situations.

6. How do I go about analysing the case studies?

❖ When answering a series of specific questions about the case:

- *Read the case study and the set questions*
- *Identify the issues*
- *Gather Information*
- *Identify solutions*
- *Write up your answers*
- *Review, question, critically evaluate your responses*
- *Come to class prepared to discuss your analysis & conclusions!*

Case Studies...

- Clearly, there is no single correct solution to any of these cases.
- There are, however, many wrong solutions.
- There are also solutions that are inadequately supported with analysis
- There are solutions and analyses that are ineffective because they are not presented in an orderly and persuasive fashion
- A logic problem - tell a story!

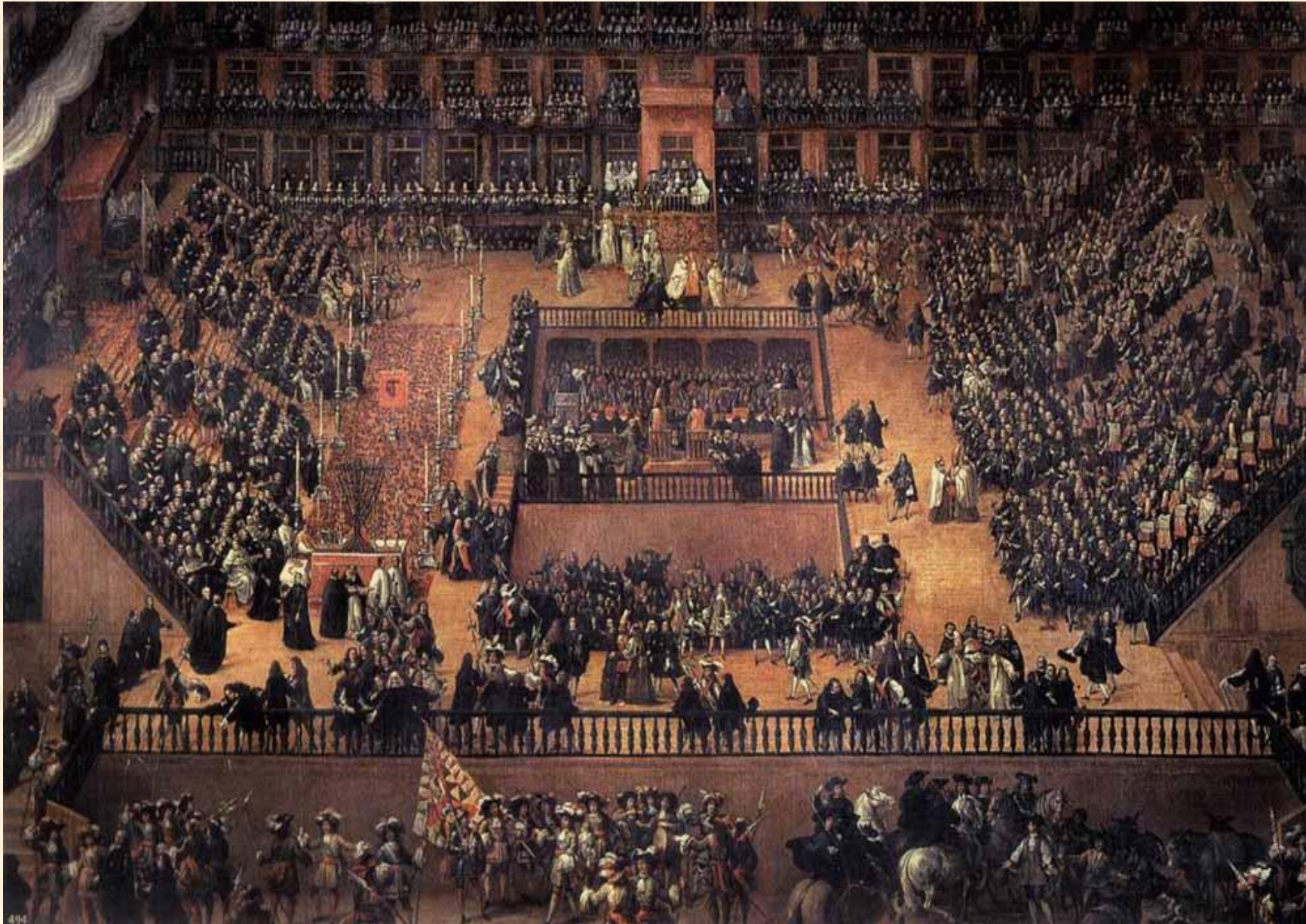
7. How can I get the most out of this course?

- This course (largely) belongs to YOU - & its success rests largely with you
- Enter into discussions enthusiastically
- Give freely of your experiences
- Confine your discussion to the issue
- Say what you think

- Be patient & appreciate the viewpoints of other participants
- Respect confidentiality - anything said within the class remains within the class
- No such thing as a "silly question" - if you don't understand - ask!
- My role - not just a "teacher" - coach, mentor, facilitator, guide - a resource
- Relax and enjoy the course!

"People rarely succeed unless they have fun in what they are doing" (Dale Carnegie)

Questions...???



Class exercise...

- Form Groups
- Select a case you wish to present

Case 1.2: Kim Fuller

Case 13.3: Identify the Industries

Case 13.4: Supplement to Identify the Industries

Case 17.3: Shelter Partnership Inc

Case 16.2: Prestige Telephone Company

Case 18.6: Midwest Office Products

Case 24.1: Body Glove

Groups...

Group	Group members
Group A	aaa
Group B	bbb
Group C	ccc

Today's Agenda...

- Define accounting and explain the purpose of an accounting system;
- Define **some** of the **main terms** used in accounting and financial management;
- Identify the different roles and **uses** of accounting information;
- Explain the **underlying assumptions and principles** that accountants adopt in preparing financial statements.



Two Questions...

1. What is the purpose of Accounting?
2. Who uses Accounting information?

What is Accounting?

ACCOUNTANT

facebook.com/sarcasmistan



What My Friends Think I Do



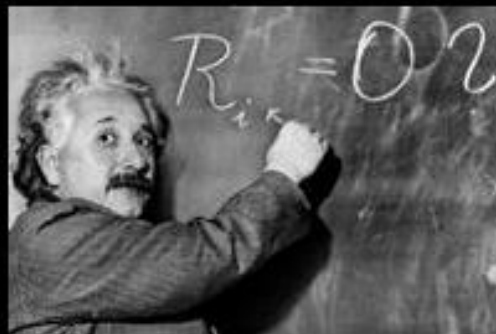
What My Parents Think I Do



What Society Thinks I Do



What My Boss Thinks I Do



What I Think I Do



What I Really Do

Accounting Student



What my friends think I do.



What my mom thinks I do.



What I think I do.



What society thinks I do.



What I really do.

What is Accounting?

- ❖ **Accounting** can be defined as the process of:
 - identifying
 - measuring
 - communicating economic information about an entity
 - to a variety of users
 - for decision- making purposes.

The Accounting Process

Identifying

Transactions that affect the entity's financial position are taken into consideration. They must be able to be reliably measured and recorded.

Measuring

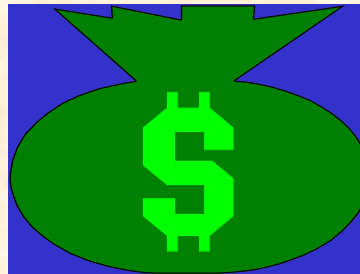
This stage includes the analysis, recording and classifying of business transactions.

Communicating

Accounting information is communicated through various reports such as income statements, balance sheets and statements of cash flows.

Decision making

Accounting information is used for investment decisions, make/buy decisions, decisions to supply an entity with goods etc.



5 Steps in the Accounting Cycle...

Step 1 Transactions are entered into what is known as a journal. A **transaction** is an economic event that is to be recorded in the financial records of a business. In accounting terms a **journal** is a chronological accounting record of a firm's transactions, or put simply it is a book that accountants use to record transactions.

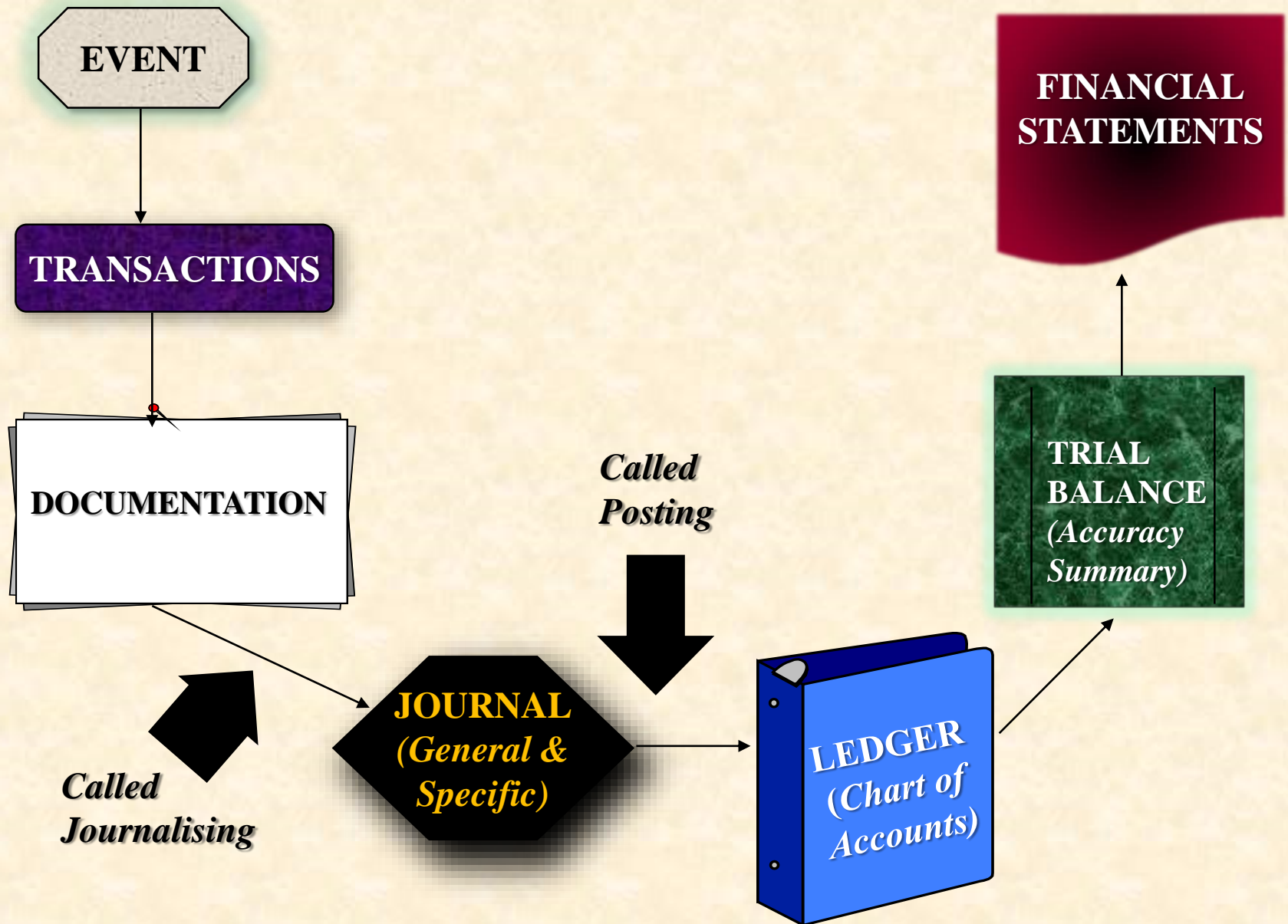
Step 2 Journal entries are **posted** to the appropriate **ledger** accounts in the general ledger.

Step 3 Adjusting entries are recorded to reflect internal transactions and other transactions not captured by the accounting system.

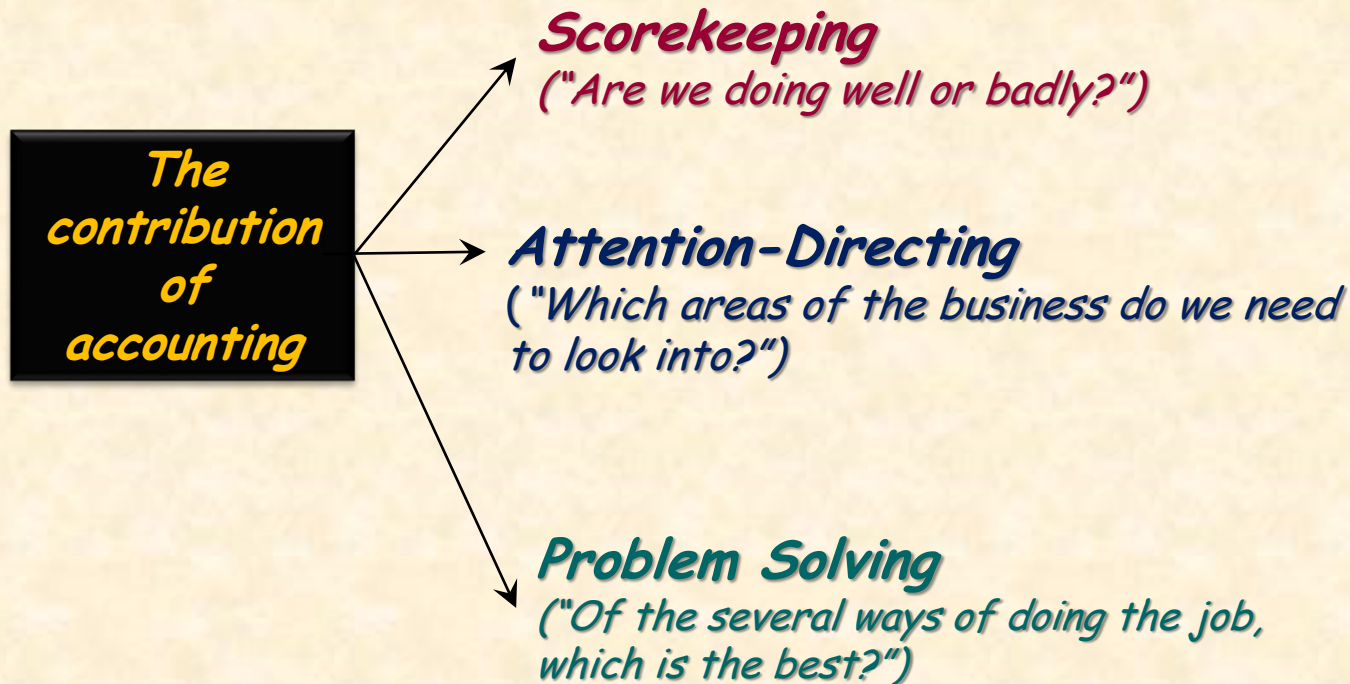
Step 4 A trial balance is prepared using the accounts in the general ledger.

Step 5 Financial Statements are prepared from the Ledger Account entries and the trial balance

The Accounting Cycle



Purposes of Accounting information



Two Groups of Users

- **Outside** - shareholders, banks, creditors, ATO
=> *financial accounting*
- **Inside** - all employees and managers
=> *management accounting*

Financial accounting

- ❖ **Financial accounting** is the preparation and presentation of financial reports for all types of users to enable them to make economic decisions regarding the firm.
- ❖ **Financial Reports include:**
 - **Balance Sheet:** reflects an entity's assets and claims against these assets at a point in time
(*A Statement of Financial Position*)
 - **Income Statement:** reflects the profit for the entity over the reporting period
(*A Statement of Financial Performance*)
 - **Cash Flow Statement:** reports on an entity's cash inflows and cash outflows over the reporting period
(*A statement of Cash Flow*)

Management accounting

- ❖ **Management accounting** is a field of accounting that provides economic information for *internal* users.
- ❖ **Core activities include:**
 - formulating plans and budgets
 - providing information to monitor and control different parts of the entity.