

**Corporate Accounting****2015/2016**

Code: 102372

ECTS Credits: 6

Degree	Type	Year	Semester
2501572 Business Administration and Management	OT	4	0

**Contact**

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**Use of languages**

Principal working language: catalan (cat)

**Prerequisites**

This course is part of the Accounting field. To make the most of the CORPORATE ACCOUNTING subject it is advisable to have acquired previously the knowledge of the INTRODUCTION TO ACCOUNTING and FINANCIAL STATEMENTS ANALYSIS subject.

**Objectives and Contextualisation**

This course is a continuation of the financial accounting related subjects. It is dedicated to the accounting treatment of business combinations, the preparation of the consolidated financial statements of the Company and its group and its subsequent analysis and interpretation.

At the end of the course, the student will be able to:

- Accounting record of mergers and divisions of societies based on the IFRS.
- Identify the scope of consolidation of a group of companies and present the consolidated financial statements, applying the corresponding method depending on the linkage between the group of companies.
- Apply the accounting rules for the preparation of the consolidated financial statements based on IFRS and the comparison with the Spanish accounting rules.
- Apply techniques and analysis tools of the financial accounting statements to the consolidated financial statements, in order to diagnose the economic and financial situation of the group of firms.

**Skills**

- Capacity for independent learning in the future, gaining more profound knowledge of previous areas or learning new topics.
- Demonstrate initiative and work individually when the situation requires it
- Generate and transmit the appropriate accounting information at all times to the information needs of different users.
- Organise the work in terms of good time management, organisation and planning.
- Select and generate the information necessary for each problem, analyse it and take decisions based on that information.
- Show motivation for carrying out quality work and sensitivity to the consequences for the environment and society.
- Use of the available information technology and adaptation to new technological environments.
- Using accounting information as a tool for assessment and diagnosis.
- Value ethical commitment in professional practice.

## Learning outcomes

1. Analyze business sectors from the annual accounts.
2. Assess ethical commitment in professional activity.
3. Capacity to continue future learning independently, acquiring further knowledge and exploring new areas of knowledge.
4. Demonstrate ethical behavior in the preparation of financial statements
5. Demonstrate initiative and work independently when required.
6. Demonstrate motivation regarding the quality of the work performed and sensitivity regarding the consequences on the environment and society.
7. Develop accounting information synthesis applying accounting principles and standards, as required.
8. Develop information relating to a system of management accounting.
9. Interpret economic indicators of an entity and its relationship to the profitability and productivity of the same.
10. Interpret financial indicators of an entity and understand the decisions that can be taken from their analysis
11. Make a diagnosis from the economic and financial analysis of an entity
12. Organise work, in terms of good time management and organisation and planning.
13. Register for accounting the economic and financial reality of organizations in accordance with the principles, standards and conventions applicable in each case.
14. Select and generate the information needed for each problem, analyse it and make decisions based on this information.
15. Use available information technology and be able to adapt to new technological settings.
16. Using the tools of financial planning and budgeting of an organization

## Content

### LESSON 1. WHY CONSOLIDATE FINANCIAL STATEMENTS?

- Introduction
- Method 1: Acquisition of Net Assets
- Method 2: Acquisition of Shares
- IFRS3 Business Combinations
- Definition of a 'Group '
- Requirements to Prepare Consolidated Financial Statements
- The Economic Need to Prepare Consolidated Financial Statements

### LESSON 2. ACCOUNTING FOR INVESTMENTS

- Introduction
  - 1.Subsidiary
  - 2 .Associate
  - 3 .Joint Venture
  - 4.Trade (or Simple) Investment
- Conclusion

### LESSON 3 IFRS3 BUSINESS COMBINATIONS

- Introduction
- Accounting Treatment for Business Combinations (the Acquisition Method)
- Conclusion

### LESSON 4. THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION: ACCOUNTING FOR SUBSIDIARIES

- Introduction
- The Cornerstone of Full Consolidation
- Goodwill
- Introducing Full Consolidation, including Goodwill

- Introducing Non-controlling Interests
- IFRS5 Discontinued Operations
- Conclusion

## **LESSON 5 THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION: COMPLICATIONS**

- Introduction
- The Complications:
  - Complication 1 - Unrealised Inventory Profits
  - Complication 2 - Unrealised Profit on Sale of Tangible Non-current Assets
  - Complication 3 - Revaluation of a Subsidiary's Net Assets at Acquisition Date
  - Complication 4 - Proposed Preference Dividends by a Subsidiary
  - Complication 5 - Proposed Ordinary Dividends
  - Complication 6 - Dividends Paid out of Pre-Acquisition Profits of a Subsidiary
  - Complication 7 - Intragroup Balances
  - Complication 8 - Impairment of Goodwill (Attributable to a Parent)
  - Complication 9 - Preference Shares in Issue by a Subsidiary
- Conclusion

## **LESSON 6 THE STATEMENT OF FINANCIAL POSITION ACCOUNTING FOR ASSOCIATES**

- Introduction
- Why a Parent would Acquire an Interest in an Associate
- How Significant Influence is
- Accounting for Associates
- Complications (when Accounting for an Associate)
- Share of Loss of Associate
- Conclusion

## **LESSON 7 THE STATEMENT OF FINANCIAL POSITION ACCOUNTING FOR JOINT VENTURES**

- Introduction
- Key Feature of a Joint Venture
- Forms of Joint Ventures
- Accounting Treatment for Joint Ventures
- Accounting Entries for Proportionate Consolidation
- Disclosure of a Joint Venture in the Consolidated SoFP
- Use of the Equity Method for Joint Ventures
- Conclusion

## **LESSON 8 THE STATEMENT OF COMPREHENSIVE INCOME AND THE STATEMENT OF CHANGES IN EQUITY**

- Introduction
- Other Comprehensive Income
- The Consolidated Statement of Comprehensive Income
- Non-controlling Interests
- The Consolidated Statement of Changes in Equity
- Accounting Treatment of a Subsidiary in the Consolidated SoCI
- Accounting Treatment of Non-controlling Interests
- Subsidiary Acquired during a Reporting Period
- Introducing an Associate
- Joint Ventures
- Trade (or Simple) Investments
- Conclusion

## **LESSON 9 STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF CHANGES IN EQUITY: COMPLICATIONS**

- Introduction

- Statement of Changes in Equity (SoCE)
- Complication 1 - Unrealised Inventory Profit
- Complication 2 - Unrealised Profit on Sale of Tangible Non-current Assets
- Complication 3 - Revaluation of a Subsidiary's Net Assets at Acquisition Date
- Complication 4 - Dividends
- Complication 5 - Dividends Paid Out of Profits of a Subsidiary
- Complication 6 - Intragroup Transactions
- Complication 7 - Impairment of Goodwill.Gain from a Bargain Purchase
- Conclusion

## Methodology

- Theoretical classes:

The contents of the course will be taught by the teacher in the form of lectures, based in the indicated book in the bibliography. If necessary, additional material used for the presentation of topics will be available to students in the Virtual Campus, prior to the start of each of them. The purpose of making available this material is to allow students to follow more comfortably the sessions.

- Practical classes:

Will be combined with the theory, without any scheduled sessions in this case. These classes will be devoted to the exercise resolution and case review, whose statements will be available to students in the Virtual Campus in advance.

- Evaluation tests, supervision and monitoring:

During the course two written evaluations will be conducted, as described in the assessment section of this guide.

On the other hand, the teacher will discuss in class with students cases or exercises that previously had been prepared.

- Tutorship

Individual tutoring will be done for students that demand it. The purpose of these sessions is to answer questions, comment or review concepts and exercises. They correspond to the student to take the initiative to raise issues for discussion.

## Activities

Title	Hours	ECTS	Learning outcomes
<b>Type: Directed</b>			
Practical classes	25	1	3, 5, 7, 11, 9, 10, 6, 12, 13, 14, 15, 2
Theoretical classes	20	0.8	1, 3, 11, 9, 10, 6, 13, 14
<b>Type: Supervised</b>			
Evaluation tests, supervision and monitoring	6.5	0.26	4, 7, 11, 9, 10, 6, 12, 13, 14, 2
Tutorship	7	0.28	3, 5, 6, 12, 14, 2
<b>Type: Autonomous</b>			
Autonomous work	87	3.48	1, 3, 5, 9, 10, 6, 12, 14, 16, 15, 2

## Evaluation

Student evaluation will be done continuously from the following evidence:

- Attendance and participation in the sessions. Class attendance is checked periodically by a signature sheet that the teacher will establish for this purpose.
- Periodic delivery by students( individually or in group) of solved exercises. The exercises will be proposed, evaluated and corrected by the teacher. Later will be discussed in class. The group will have a maximum of two students and group changes are not allowed during the course. With the exercise qualifications and assistance evaluation, an average mark will be calculated and weighted 15% in the final mark.
- Two mid-term exams will be performed during the course, with duration of 60 minutes each one. None of them released material for the final exam. These tests consist of theoretical questions and practical exercises related to the topics covered in each case. In its implementation will not be allowed to consult any material. Will be developed within hours of class on the following dates:
  - Test lessons 1 to 4: March 10, 2016
  - Test lessons 5 to 9: May 2, 2016

With the notes of the previous two tests an average will be calculated, weighting 35% for the final grade.

- Final exam. The final exam will consist of theoretical questions and practical exercises that will refer to all the course material. The examination will last a maximum of 2 hours and it is not allowed to consult any material. The rating of this examination will weight 50% in the final grade. The target date for completion is June 2, 2016.
- The course can only be assessed by the evaluation system described above. A student who has participated in two of the past evaluation activities is considered part of the continuous assessment. Thus, a student will be considered as "NO AVALUAT" when only participated in an evaluation activity. Non-participation in any of these activities will be graded with a zero in the concerned activity, with effects in the final grade, unless the student documentary justifies the causes which have prevented participate in that activity.
- In application of the rules of the Faculty of Economics and Business Studies, students with a grade equal to or higher than 4 but less than 5 have the option to perform an exam of reassessment. This exam will have similar characteristics in terms of content to the final exam. The rating of the reassessment will be qualitative with only two options: either SUITABLE or NON SUITABLE. The students earning a SUITABLE grade are considered to pass the subject with a maximum equal to 5. If a student has a NON SUITABLE grade fails the course, and will be graded with the grade obtained before the reassessment. The reassessment exam date is June 21, 2016.

## Evaluation activities

Title	Weighting	Hours	ECTS	Learning outcomes
Attendance, participation, exercises and monitoring	15%	0	0	1, 3, 5, 8, 7, 11, 13, 16, 15, 2
Final exam	50%	2.5	0.1	4, 7, 11, 9, 10, 6, 12, 13, 14
Mid-term exams	35%	2	0.08	4, 7, 11, 9, 10, 6, 12, 13, 14, 2

## Bibliography

Basic:

- Mahony, Paul and Mac Lochlainn, Niall (2013), *Consolidated Financial Statements: A Step-by-step Approach*, The Institute of Chartered Accountants in Ireland.
- [IFRS 3](#). Business Combinations.
- [IFRS 10](#). Consolidated Financial Statements.
- [IFRS 11](#). Joint Arrangements.
- [IFRS 12](#). Disclosure of Interests in Other Entities.
- [IAS 24](#). Related Party Disclosures.
- [IAS 28](#) - Investments in Associates and Joint Ventures.
- [IAS 31](#) - Interests In Joint Ventures.

Complementary:

- Serra, V.; Labatut, G.; Arce, M.; Cervera, N. and Pardo, F. (2011), *Consolidación contable de grupos empresariales*, Ediciones Pirámide, Madrid.
- Real Decreto 1159/2010, de 17 de setiembre, por el que se aprueban las normas para la formulación de las cuentas anuales consolidadas y se modifica el Plan General de Contabilidad aprobado por el Real decreto 1514/2007, de 16 de noviembre, y el Plan General de Contabilidad de pequeñas y medianas empresas aprobado por el Real decreto 1515/2007, de 16 de noviembre.