Dear Working Party members,

The following observations and example are in response to your request for comments on your draft ALTC Working Party material (“Accounting Threshold Learning Outcomes”, Draft 2).

The main body below - an example, seeks to cover more directly accounting specific issues likely to confront an accounting practitioner. It is provided as an additional example to the original contained in your draft. It is being proposed as we are informed that you will likely provide several examples as an appendix.

Underlying suggestions below as to the appropriate levels of judgement, skills, knowledge, communication and self management is the idea that to validate the hierarchy of accounting degrees awarded by service providers there must of necessity be evidence of incremental professional and scholarly attainments (in turn) by graduates at the Bachelor, Master (Entry) and Master (Advanced) levels. In this respect we inject the necessity that a graduate who entered a programme at the Master level must upon graduation from it have achieved more in respect to accounting judgement, skills, knowledge, communication and self management than a Bachelor graduate, notwithstanding the accelerated (Bachelor equivalent part of the) programme undertaken. It follows that a Master (Advanced) graduate will have even greater attainments than a Master (Entry) graduate.

There is implicit in the above some concern that the present Draft 2 document focuses on the duration taken to achieve some of the above (e.g. Bachelor and Master (Entry). We question that focus.

Further, whilst there has been much questioning regarding the Master (Entry) category, our response below takes it as a given.

Our example below takes a financial accounting focus regarding the accounting for physical assets subject to impairment, we would expect there to be a managerial – focussed example to complement this.

Judgement

Exercise of judgement to solve routine accounting problems and undertake routine accounting mechanisms in a range of contexts including their legal, social, economic ethics, regulatory, environmental perspectives, in national and global settings.

Bachelor

For example, the Bachelor graduate can critically evaluate the financial and non-financial information necessary to judge the veracity of data relating to a firm’s
physical assets – their existence, description and classification, and initial and ongoing accounting recording. One would expect this to entail an understanding of the legal, social and economic characteristics distinguishing the product of an expenditure or the object of other means of acquiring a physical asset, differentiating that activity form giving rise to a financial asset or to a mere expense. This fundamental understanding of the recording of the initial acquisition of the asset should entail an exercise of judgement regarding whether installation expenses are to be booked as part of the costs of acquiring the asset, its end-of-period listing in a balance sheet and the necessary choice of distinction between non-current (‘fixed or long-term’) and ‘current assets’. Accounting Standards relating to the acquisition of assets, their initial recording, asset register features, classificatory criteria and balance sheet reporting would be studied, the data resulting from compliance therewith evaluated in terms of their serviceability as inputs for determining an enterprise’s financial position and its basic financial characteristics – (say) solvency, asset backing, debt-to-equity ratio (leverage) – and for assessing meeting environmental and sustainability criteria.

Master (Entry)

Exercise of judgement to solve advanced accounting problems and undertake advanced accounting mechanisms, especially periodic valuation mechanisms, differentiate between their products, for their relative serviceability for evaluating the financial implications on the entity’s financial stability, legal, social, economic ethics, regulatory, environmental perspectives, in national and global settings.

What follows assumes the teaching would take advantage of the skills obtained by an non-accounting Bachelor graduate student entering the Masters programme. It would be expected that, in addition to the outcomes identified for the Bachelor level outcomes, the Master (Entry) candidate upon graduation would have a broader understanding of accounting for, and the reporting of, physical assets, an understanding of the primary issues related to the accounting debate regarding asset valuation (especially whether to use historical cost or some form of current value), means of calculating asset appreciation and asset depreciation, the relative merits and demerits of alternative means of accounting for asset appreciation and depreciation, and the implications of each on the reporting of an entity’s financial position. It is expected that students would have a developed understanding of the Australian and the appropriate IASB Accounting Standards (IFRSs), points of similarity and dissimilarity. Matters of professional concern regarding physical asset valuation would be understood, especially in the context of the audit evaluation of an entity’s going concern status and leverage capacity and compliance with borrowing covenants. At this level these graduates should have a working-knowledge of the international debates regarding asset valuation issues, have a fundamental (basic) understanding of the literature on assets, their valuation and reporting, on the pros and cons of depreciation calculations and the means of bringing depreciation to account, the notion of impairment, the means of determining any impairment (determining
Master (Advanced)

Exercise of judgement necessary to having the capacity to contribute to profession accounting policy formation relating to advanced accounting problems, particularly those relating to reporting on the wealth and progress of publicly listed corporations and public institutions.

For example, in addition to the outcomes identified for the Bachelor level and Master (Entry) level outcomes, the Master (Advanced) graduate would have a developed understanding of controversies relating to all aspects of the accounting for physical assets – recognition, choice of description and classification, initial recording, depreciation and impairment calculation and reporting, and contemporary valuation issues. Upon graduation a student will be familiar with the history of present valuation mechanisms – for example, the ‘appreciation/depreciation’ debate of the 1920, the basis of the taxation and asset debates following World War II, the assets and depreciation issues central to the ‘accounting for inflation’ debate in the 1970s, and particularly the debate regarding the alleged role of, ‘current value’ – mark-to-market accounting practices in the global financial crisis. It is expected that graduates at this level would be ‘profession leaders’, in knowledge, thought and intellectual development. In summary, graduates at this level will have an expert level of understanding of the historical and contemporary resolutions proposed for problems related to physical asset accounting, such as equips them to make such relevant policy decisions as will advance physical asset accounting. To this end they would have a high level understanding and expert asset accounting skills. This would entail an in-depth critique of the propositions in the relevant literature such as the prescribed tier one, two and three levels of mark-to-market accounting under IFRSs, in-depth knowledge of the Australian, IASB and (say) the FASB Accounting Standards, European perspectives on those Standards, the state of the contemporary debates and negotiations, and related regulatory developments. In respect of impairment determination and the accounting for it, for example, students would have the capacity to debate the various ways of determining cash generating units, determining their related cash flows, discounting mechanisms and the like, such as would provide specific templates, and demonstrate a capacity to guide governmental policy.
Knowledge

Bachelor

Integrate theoretical and technical knowledge of accounting and other relevant areas

For example, a Bachelor graduate can integrate their understanding of the theoretical and technical attributes of physical assets and the financial aspect of their acquisition with a view to measuring income in statement of financial performance and representing the assets’ contribution to the firm’s financial position. Relating periodic income to aggregate asset values as a form of rate of return would also emerge. To this end a knowledge of the different attributes of physical and financial assets would come into play, an understanding of the causes of asset appreciation and depletion and their expression of each in financial terms. Attribute knowledge of physical assets would include the physical reasons for their - durability, exposure to obsolescence, depreciation due to wear and tear, notions of physical productive capacity, physical asset markets; whilst knowledge of financial attributes would entail - basic valuation issues – cost and replacement price valuation techniques, mark-to-market, methods of predicting cash flows, estimating rates for discounting cash flows, etc., financial measures of loss of monetary worth due to depreciation and other impairment causes.

Master (Entry)

Integrate theoretical and technical knowledge of accounting and other relevant areas

In addition to having acquired the outcomes identified for the Bachelor level and Master (Entry) level outcomes, the Master (Entry) graduate would have a developed an understanding of the theoretical issues related to the accounting for physical assets, have better skills and knowledge of tangential areas than the Bachelor graduate, a knowledge of contemporary debate on matters pertaining to the accounting for physical assets, and demonstrate a growing familiarity with the related (particularly professional) literature. Students should be able to defend a position taken on contestable issues and evaluate alternative arguments. For example, here the Master graduate having entered the program at the Master (Entry) level would be able to discuss the aspect of value diminution on terms familiar to engineering graduates. The issue of economic and physical elements impacting prices would have been discussed. This, to effect verifiable measures of asset appreciation and depreciation, translate both into financial terms and to integrate those measures and other financial performance and financial position data in financial statements from which data are serviceable for deriving salient indicators of wealth and progress.
Master (Advanced)

Integrate theoretical and technical knowledge of accounting and other relevant areas

For example, in addition to the outcomes identified for the Bachelor level and Master (Entry) outcomes, the Master (Advanced) graduate would have a thoroughly developed knowledge of all aspects of accounting for physical assets, their acquisition, asset register features, maintenance, periodic valuation and reporting in statements of financial performance and financial position. In this setting graduates would have a sufficiently technical and theoretical knowledge that equips them to draw upon historical and contemporary business examples, be fully familiar with both the journal and even some leading (most influential) hardback literature on physical asset resources, and able to discuss matters of mutual importance to them (valuation and impairment issues) and other professionals (particularly engineers) regarding physical asset stewardship. At a Master (Advanced) level students should be able to articulate different approaches to financial reporting – understand issues relating to notions of comprehensive income and more restricted income measures – and be able to analyse arguments used by practitioners and regulators for their preferred form of practice.

Skills

Bachelor

Apply accounting knowledge and technical skills to routine accounting problems

A bachelor graduate would be competent in the normal bookkeeping (including in particular basic electronic means thereof) skills relating to the acquisition of physical assets, their installation within the firm, asset registration to facilitate control, maintenance, amortisation for diminution in value, appreciation in value, and reporting in the financial statements.

Master (Entry)

A Master (Entry) graduate having entered a program at the Master level in addition to the outcomes at the Bachelor level, will for example, have extended those skills to include - developed skills related to of electronic means (software and the like) by which physical assets are accounted for in modern firms, a substantial familiarity with the legal ramifications and evidence of ownership of physical assets, capacity to maintain advanced forms of physical assets registers and physical asset budgeting, financing.
Master (Advanced)

Here the graduate should be able to use physical asset data to evaluate the useability of the valuation process to assess solvency and for the derivation of other salient financial indicators of a firm’s wealth and progress, most notably flexibility (as measured by leverage or gearing). The graduate will be able to engage in consultation and debate with other experts and provide policy formation advice regarding asset depletion and renewal. As well, this advanced level student should have an understanding of valuation methodologies used in due diligence practice.

Communication and teamwork

Justify and communicate accounting advice and ideas in a range of routine and non-routine collaborative contexts including both accountants and non-accountants

Bachelor

At the Bachelor level the Bachelor graduate will be able clearly to communicate in both writing and verbally the nature of physical assets, differentiate financial and physical assets, their characteristic similarities and differences, the basis by which assets are classified as ‘non current (‘fixed or long-term’) and ‘current’, how changes in the financial valuation of each enters the calculation of profits and losses, the determination of financial position, and the accounting mechanisms by which each is brought to account upon acquisition and thereafter.

Master (Entry)

In addition to the Bachelor level outcomes, at the Master (Entry) level graduates will be able to explain to both accountants and to non-accountants the current controversies relating asset accounting, and engage in informed debate with (in particular) informed accountants at the Masters level regarding the current issues relating to the valuation of physical assets, have developed ideas regarding valuation processes and have a knowledge of the disputes regarding fair value and its alleged role in the GFC.

Master (Advanced)

In addition to the communication capacities noted in regard to Bachelor and Master (Entry) graduates, these graduates will have an extensive knowledge of the soft cover and hardback literature addressing assets, their classification and valuation, have acquired an informed knowledge of all aspects of asset recognition, classification and valuation, and the means of bringing those matters into accounts; developed an
understanding of disclosure debates and issues as they relate to physical assets; and be able to discuss the merits of the current accounting methods of measuring and bringing into account asset impairment. Graduates would be expected to be able to debate with other experts the problems of physical asset valuation as it emerged to be a major controversy in the GFC; and have developed a position on the matters in dispute, such as is appropriate for the development of policy formation. Most importantly, the Master (Advanced) graduate will have the communication skills to impart knowledge on physical assets to accountants and non-accountants at all levels, to give them a working understanding of the matters in issue.

Reiterating points made earlier, advanced level students should be able to construct and defend comprehensive written and oral arguments regarding the reporting of particular assets, like physical assets.

**Self Management** — as per the Draft 2 of the ALTC Working Party document appears appropriate.