# ACCT 3000 Contemporary Issues in Accounting

UNIVERSITY OF ADELAIDE · SEMESTER 2, 2026 · THIRD-YEAR ACCOUNTING CAPSTONE

**CLOSED-BOOK MEMORY SHEET** · Side 1 of 2 · what must be in your head

Full guide + ask Sia about ACCT 3000

Assignment 1: Client Brief – Practice 10% | Assignment 2.1: Client Brief Part A – Wr 15% | Assignment 2.2: Client Brief Part B – Br 25% | Final Examination 50%

**EXAM MAP** "This examination is closed book." *(ACCT 3000 Practice Exam 2 instructions (PDF_ACCT_3000_Practice_Exam_2_pdf.txt))*

Final: 180 min · 100 marks · Part A Q1–3 + Part B Q4–7 · **50% exam hurdle**

## 1 · Universal Answer Engine

COURSE_OVERVIEW · CH 11

**EVERY JUDGEMENT ANSWER**

```
NAME exact rule/theory → DEFINE in one line → APPLY each fact → EVALUATE rival/trade-off → CONCLUDE with a justified position.
```

The mark sits in the because-clause. Do not merely define. Link the scenario fact to the mechanism, state the consequence for users or contracts, and land. For a 10-mark answer, use the instruction's requested number of arguments.

| COMMAND | WHAT EARNS THE MARK |
|---|---|
| Explain / apply | Theory + fact + causal link |
| Evaluate | Both poles + evidence/limit + position |
| Advise client | Plain rule + client impact + recommendation |
| Reflect | What → How → So what, in first person |

## 2 · Regulation Lens

CH 1–2

*Decision-usefulness* = GPFR information useful to investors, lenders and other creditors deciding whether to provide resources. Use it as the evaluation yardstick.

**WHY DID RULE / DISCLOSURE APPEAR?**

**PUBLIC** market failure · social benefit | **CAPTURE** industry gains over time | **PRIVATE** best lobby wins rule

**Define → apply → rival → judge**

Source-derived regulation triad: process over time = capture; a single lobbied outcome = private interest. Ch 1 fig 2

**FREE MARKET** voluntary + discipline · oversupply · limits | **REGULATE** public good / free-rider · protect · compare

**Both poles → one defended landing**

Source-derived signature debate: the strongest pro-regulation mechanism is public-good under-production. Ch 1 fig 1

| FREE-MARKET CASE | PRO-REGULATION CASE |
|---|---|
| Voluntary disclosure; market discipline; over-supply; mandated methods restrict choice. | Information is a public good; free riders cause under-production; investor protection; comparability. |

**Positive** describes/predicts what is; **normative** prescribes what ought to be. **IASB makes** IFRS; **AASB adopts/adds**; **ASIC enforces**.

## 3 · Standards & Due Process

CH 2

**Political process:** standards change profit, ratios, tax and contracts, creating winners and losers. Due process legitimises participation but also provides the lobbying channel.

**DUE PROCESS — SEQUENCE**

```
Issue → optional Discussion Paper → mandatory Exposure Draft → submissions → standard → post-implementation review.
```

issue → DP? → **ED** lobby → issue → PIR

Exposure Draft = mandatory comment gateway

Source-derived due process: consultation creates legitimacy and exposes the political contest. Ch 2 fig 1

| RULES-BASED | PRINCIPLES-BASED |
|---|---|
| Bright lines; comparable/verifiable; rigid; transactions can be engineered around thresholds. | Framework + judgement; substance over form; adaptable; subjective; enforcement-dependent. |
| **Harmonisation** reduces differences for compatibility. **Standardisation** imposes one uniform set; IFRS adoption pursues this. | |

**IFRS benefits:** comparability, cross-border investment, possible lower cost of capital. **Costs:** transition/compliance, lost local fit, legal/tax/cultural mismatch. Enforcement is the hinge; evidence on quality gains is mixed, so hedge.

## 4 · Conceptual Framework

CH 3 FIGS 1–2

**WHY · decision-usefulness**

HOW GOOD · relevance + faithful rep

WHAT · five elements

WHEN / HOW MUCH

**definition gate → recognition gate**

Source-derived CF hierarchy: the Framework is normative and subordinate to a specific standard. Ch 3 fig 1

**CURRENT DEFINITIONS — RECITE EXACTLY**

```
Asset = present economic resource controlled by the entity as a result of past events; resource = a right with potential to produce benefits. Liability = present obligation to transfer an economic resource that the entity has no practical ability to avoid.
```

## 5 · Measurement Decision

CH 3

**MEASUREMENT BASES**

**HIST. COST** transaction basis | **CURRENT VALUE** FV · VIU · current cost

same on day one → diverge over time

Source-derived measurement family map: every choice is tested against relevance and faithful representation. Ch 3 fig 2

| HISTORICAL COST | FAIR/CURRENT VALUE |
|---|---|
| Original transaction basis; often verifiable; can become stale; still uses life, residual-value and impairment estimates. | Current and relevant; AASB 13 fair value is an orderly-market exit price; may add volatility and model risk. |
| **Levels:** 1 quoted prices → 2 observable inputs → 3 unobservable/model inputs. Subjectivity rises down the hierarchy. | |

**EVALUATION SPINE**

```
More relevance ↔ less faithful representation/verifiability? Identify users, input level, volatility, measurement uncertainty and incentive; then choose.
```

Never say cost is assumption-free or fair value is merely "the market price". Context and input quality decide which depiction is more useful.

## 6 · Financial Instruments

CH 4 FIG 1

**AASB 132** class. / pres. | **AASB 9** recog. / meas. | **AASB 7** disclose

exam focus: classification + consequence

Source-derived standards map: detailed AASB 9 entries and measurement mechanics are not required here. Ch 4 topic map

**UNAVOIDABLE CONTRACTUAL OBLIGATION TO DELIVER CASH?**

YES → **LIABILITY** debt · interest

NO → **EQUITY** residual claim

**Read cash flows, not the label**

Source-derived AASB 132 obligation test. Mandatory redemption or non-discretionary return points to liability. Ch 4 fig 1

**Compound instrument:** split a convertible note on issue; measure liability first, residual is equity. **Consequence:** debt raises gearing; return is interest expense; covenant/bonus ratios move. Equity does not raise gearing and distributions are discretionary.

## 7 · PAT & Agency

CH 5 FIGS 1–3

*Agency theory*: a principal delegates to a self-interested party with more information. Moral hazard/adverse selection create conflict. Agency cost = monitoring (principal) + bonding (delegate) + residual loss; minimise total, never assume zero.

**Ex ante efficiency:** policy chosen up front to lower contracting costs. **Ex post opportunism:** discretion used after contracts are set to transfer wealth. A strong answer tests both readings against facts.

**PAT: PRESSURE → DIRECTION**

**BONUS PLAN** income ↑ now

**DEBT COVENANT** income/assets ↑

**POLITICAL COST** income ↓

two UP · one DOWN

Source-derived PAT direction map. Above a bonus cap can flip the incentive toward a big bath. Ch 5 fig 2

| HYPOTHESIS | MECHANISM / PREDICTION |
|---|---|
| Bonus | Below floor or between floor/cap: lift income. Above cap: defer income / big bath. |
| Debt covenant | Near breach: lift income/assets or reduce liabilities to stay onside. |
| Political cost | Large visible firm: reduce income to lower scrutiny, tax or regulation pressure. |

**Earnings management:** accrual timing, smoothing, big bath, reserves, or real transaction changes. It ranges from judgement to fraud; accruals reverse. Auditors, reputation and ethics constrain the prediction.

## 8 · APES 110

CH 6 FIG 1

**IDENTIFY → EVALUATE → ADDRESS**

| PRINCIPLES | THREATS |
|---|---|
| Integrity | Self-interest |
| Objectivity | Self-review |
| Competence + care | Advocacy |
| Confidentiality | Familiarity |
| Professional behaviour | Intimidation |

Source-derived APES 110 recall grid: name both the principle at risk and the threat creating it. Ch 6 fig 1

**D** | **E** | **C** | **I** | **D** | **E**

facts · ethics · options · effects · act · review

Source-derived DECIDE spine; use the letters as answer sub-headings and omit Evaluate only if instructed. Ch 6 fig 2

## 9 · DECIDE Under Pressure

CH 6 FIG 2

**SIX LITERAL SUB-HEADINGS**

```
D Define facts/issue → E Ethical review: stakeholders + principles/threats → C Consider real options → I Investigate consequences → D Decide and act → E Evaluate result (only if asked).
```

**Safeguards:** correct, document, consult, escalate; withdraw last. "Jobs depend on it" is rationalisation and intimidation, not a defence.

**EXAM →** *Generic "unethical" earns little. Write: fact → named principle → named threat → why above acceptable level → safeguard → decisive action.*

## 10 · Markets & Behaviour

CH 7 FIGS 1–3

**PRICE REACTS TO SURPRISE**

EXPECTED **already in price** | ACTUAL − EXP. **new information**

Abnormal return = actual − expected return

**fast public news → semi-strong**

Source-derived CMR engine. A higher profit can be bad news when it misses expectations. Ch 7 fig 1

| DO NOT MERGE | EXACT DISTINCTION |
|---|---|
| Information content | Did news move price? Short event window; abnormal return. |
| Value relevance | Do numbers track firm value over time? Association study. |
| CMR vs behavioural | Aggregate semi-strong market response vs individual anchoring, fixation, overconfidence and presentation effects. |

**Qualifier:** efficiency means rapid, unbiased public-news response, not perfect valuation; drift suggests under-reaction.

## 11 · System-Oriented Lens

CH 8

**DISCLOSURE MANAGES WHAT?**

**SOCIETY** legitimacy · soc. contract | **POWER** managerial · strategic | **RIGHTS** ethical duty

**positive · positive · normative**

Source-derived theory chooser: legitimacy is society-wide; stakeholder theory resolves to power or rights. Ch 8 figs 1–2

## 12 · Legitimacy → CSR

CH 8–9

**LEGITIMACY ANSWER PATH**

```
Adverse event → social expectations diverge from perceived conduct → legitimacy gap → voluntary disclosure spike → assess Lindblom response → test symbolic vs substantive.
```

**Lindblom:** educate/inform about real change; change perceptions; deflect attention; change expectations. Only the first necessarily changes behaviour. Timing after a scandal, with no mandate, is evidence of legitimacy repair.

| CSR CONCEPT | RECALL LINE |
|---|---|
| Triple bottom line | Economic + environmental + social performance. |
| Sustainable development | Meet present needs without compromising future generations. |
| Eco-justice | Fairness: intergenerational (between generations) and intragenerational (within today). |
| Eco-efficiency | More economic value per unit of environmental harm. |
| GRI vs ISSB | GRI: impact/inside-out. IFRS S1/S2: financial/outside-in. Both = double materiality. |

**ECON.** | **ENV.** | **SOCIAL**

shared goal: sustainable development

Source-derived triple bottom line: performance is economic, environmental and social, not profit alone. Ch 9 fig 1

**Credibility test:** recognised framework + decision-useful metrics + coverage of bad news + independent assurance + conduct matching claims. Voluntary, selective, reactive and unassured disclosure raises greenwashing risk. There is no comprehensive accounting standard for carbon emissions; do not invent one.

## 13 · Agriculture: Apply, Critique

CH 10 FIGS 1–2

harvest

**BIO ASSET** living asset · AASB 141 → **PRODUCE** FVLCTS at harvest → **INVENTORY** deemed cost · AASB 102

bearer plant itself → AASB 116

Source-derived scope flow. A bearer animal remains under AASB 141; a bearer plant does not. Ch 10 fig 2



**Forward this to your tutorial group**

V2 · 2026-10-24

Your exam is closed book: nothing printed goes in. Use this sheet to revise and self-test, not to carry.

University of Adelaide Semester 2 examination period, November 2026 (check your personal exam timetable).

# ACCT 3000 Contemporary Issues in Accounting · Self-Test Drills

UNIVERSITY OF ADELAIDE · SEMESTER 2, 2026 · RETRIEVE, APPLY, JUDGE

**CLOSED-BOOK MEMORY SHEET** · Side 2 of 2 · five worked answer paths

Full guide + ask Sia about ACCT 3000

**DRILLS** Five source-number answer paths · judgement cards · classic traps · exam-morning retrieval plan

Time rule: **1.8 min/mark** · 20 marks ≈ 36 min · 10 marks ≈ 18 min

## 14 · Paper Map & Timing

CH 11 FIG 1

| PART A · 50 | | PART B · 50 | |
|---|---|---|---|
| Q1 · 20 | reflect·DAE | Q4 · 10 | brief client |
| Q2 · 10 | both + land | Q5 · 10 | policy/effect |
| Q3 · 20 | DECIDE | Q6 · 10 | apply lens |
| | | Q7 · 20 | case/judge |

**90 min per half · move when time expires**

Source-derived seven-question map. All question types need a rehearsed structure, not an improvised essay. Ch 11 fig 1

| Q | OPEN WITH | CLOSE WITH |
|---|---|---|
| 1 | "What stood out was…" | Specific future action |
| 2 | Position | Reasoned verdict |
| 3 | Facts + issue | Action + safeguard |
| 4 | Recommendation | Client consequence |
| 5–7 | Rule/theory | Judgement, not fence |

**D-A-E:** Description (What?) → Analysis (How does it connect?) → Evaluation (So what for judgement, scepticism, ethics and career?). Marks concentrate above description. First person is expected.

**Q2 critical evaluation:** declare a qualified position, give arguments for and against, meet the exact requested number of examples, then make the conclusion match the opening. **Q4 client briefing:** strip jargon, explain the practical effect, recommend and justify.

## 15 · Drill 1: New Disclosure Rule

CH 1 WORKED · 10 MARKS

**Facts:** unlisted property funds collapse; retail investors lose savings; government mandates disclosure.

loss + asymmetry → PUBLIC INTEREST → repair + confidence

rival: later capture / organised private interest

Lead with public interest at introduction; a later systematic industry takeover supports capture. Ch 1 worked

1. **+3 State:** public-interest regulation corrects market failure for society.
2. **+2 Apply:** uninformed retail losses reveal asymmetry; mandatory disclosure protects users and confidence.
3. **+3 Rival:** capture/private-interest predicts incumbent-protecting barriers after lobbying.
4. **+2 Judge:** public interest best fits introduction; monitor later capture.

SAY ALOUD → *Why is a one-off carve-out usually private interest, not capture?*

## 16 · Drill 2: Recognise an Asset?

CH 3 WORKED · 10 MARKS

**Meridian Freight:** $3.6m proprietary route-optimisation system; assembled trained drivers internally estimated at $2.4m.

**GATE 1: RIGHT + POTENTIAL + CTRL?**

**SYSTEM · $3.6m** proprietary code restrict access ✓

**STAFF · $2.4m** can resign control ✗

**GATE 2 · RELEVANCE + FAITHFUL REP.**

Definition and recognition are separate gates. A benefit without control is not an asset. Ch 3 worked

**AASB 13 INPUT LADDER**

- **L1** quoted price
- **L2** observable input
- **L3** model / unobservable

Source-derived hierarchy: downward means more estimation uncertainty and a stronger faithful-representation challenge. Ch 3 fig 2

1. **+3:** recite the current asset definition and isolate right, potential, control.
2. **+2 system:** past development, controlled proprietary code, cost/revenue potential ⇒ definition met.
3. **+3 workforce:** employees may resign; no enforceable right to future service ⇒ no control.
4. **+2 recognition:** ask relevance + faithful representation, weighing uncertainty. $3.6m development cost is measurable; $2.4m internal workforce value is highly uncertain.

**CLIENT ADVICE**

```
Recognise the system to the extent development cost is reliably measurable; do not capitalise the workforce. Lead with recommendation, then explain.
```

**Trap check:** do not use the old "expected future benefits" asset wording or the old "probable + reliably measurable" recognition test. Under the current Framework, probability informs recognition and measurement after the definition is tested.

## 17 · Fast Recall: Measurement

CH 3 FAQ

| IF YOU SEE… | DO THIS |
|---|---|
| Active quoted market | Level 1 fair value may be highly verifiable. |
| Model/unobservable input | Level 3: discuss subjectivity, neutrality and manipulation risk. |

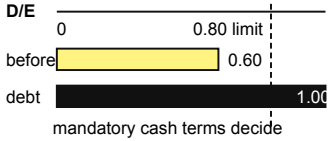
## 18 · Drill 3: Debt or Equity?

CH 4 WORKED · 10 MARKS

**Torrens Mining:** $30m "6% cumulative redeemable preference shares"; cash redemption at par in 5 years; dividend cannot be waived. Before issue: liabilities $45m, equity $75m; covenant D/E ≤ 0.80.

**WORK THE RATIOS**

```
Before = 45 / 75 = 0.60
Correct debt classification = (45 + 30) / 75 = 1.00 → breach
Wrong equity view = 45 / (75 + 30) = 0.43
```




Correct liability classification crosses the 0.80 covenant; the label explains the CFO's incentive, not the answer. Ch 4 worked

**CONVERTIBLE NOTE ON ISSUE**

whole proceeds = liability first / residual equity

Source-derived compound-instrument rule: value the cash-obligation component first; equity is the residual. Ch 4 topic map

1. **+2 rule:** unavoidable contractual cash obligation ⇒ liability; substance over form.
2. **+3 facts:** mandatory redemption and non-waivable cumulative dividend each force cash.
3. **+2 classify:** financial liability, despite "share".
4. **+2 consequence:** D/E 1.00 breaches; 6% return is interest expense reducing profit.
5. **+1 conclude:** classify faithfully and renegotiate, not relabel.

## 19 · Instrument Judgement Cards

CH 4

**Definition chain:** financial instrument = contract creating a financial asset for one party and a liability or equity instrument for the other. Financial asset = cash/right to receive; liability = unavoidable cash obligation; equity = residual interest. Classification follows contractual substance.

| IF YOU SEE X | → DO Y |
|---|---|
| Mandatory redemption | Liability: unavoidable cash. |
| Non-discretionary return | Liability; return is interest. |
| Perpetual + fully discretionary return | Likely equity residual. |
| Convertible note | Split: liability first, residual equity. |

## 20 · Drill 4: Incentive + Ethics

CH 5–6 WORKED

PRINCIPAL capital / terms → DELEGATE action + info

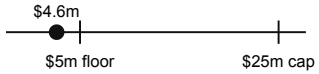
asymmetry → conflict

**monitoring + bonding + residual loss**

Source-derived agency map: PAT predicts choices inside contracts; the optimal contract minimises total agency cost. Ch 5 fig 1

**PAT facts:** profit $4.6m; bonus = 10% above $5.0m floor, capped at $25m. Interest coverage 3.1; covenant minimum 3.0.

**LOCATE → PREDICT → CONSTRAIN**




**PAT predicts ↑ · APES 110 limits conduct**

Both contract thresholds predict income-increasing choices; ethics is the counterweight, not another prediction. Ch 5 fig 2

1. **PAT frame:** self-interest inside contracts; ex-post opportunism fits the threshold facts.
2. **Bonus:** $4.6m is just below $5.0m and far below cap ⇒ income up to clear floor.
3. **Covenant:** 3.1 is just above 3.0 ⇒ lift EBIT/income to avoid technical default. Signals reinforce.
4. **Limits:** auditors, reversal of accruals, reputation, APES 110. Above the $25m cap, bonus incentive may flip down/big bath.

**Ethics variation:** CFO asks controller to record $900,000 sales before delivery so profit clears the bonus threshold; says it protects jobs.

**FACT → PRINCIPLE + THREAT**

| | | |
|---|---|---|
| premature sale | **Integrity** | misleading |
| bonus at stake | **Objectivity** | self-interest |
| CFO pressure | **Objectivity** | intimidation |
| cut-off skill | **Due care** | apply rule |

match only labels supported by the scenario

Source-derived APES 110 drill: correct labels must be tied to facts, not recited as a detached list. Ch 6 fig 1

FACT → LABEL → SAFE → ACT

name principle + threat; then decide

Ethics marking path: a moral opinion without the APES 110 labels leaves marks unused. Ch 6 fig 2

## 21 · Drill 5: AASB 141

COURSE WORKED EXAMPLE · 12 MARKS

**Marrabel Grazing:** sheep fair value $740,000; costs to sell $26,000; opening carrying amount $520,000. Shorn wool has FVLCTS at harvest of $84,000.

**CARRY THE NUMBERS TO THE END**

```
FVLCTS = 740,000 - 26,000 = $714,000
Gain = 714,000 - 520,000 = $194,000 to profit or loss
Wool at harvest = $84,000 deemed cost → AASB 102.
```

**LIVING FLOCK · AASB 141**

$740k fair value − $26k selling costs

**$714k closing carrying amount**

**− $520k opening = $194k P&L gain**

Source-number path: the $194,000 gain is unrealised and recognised before sale. course worked example

shear

SHEEP AASB 141 → WOOL $84k at harvest → AASB 102 inventory

$84k FVLCTS becomes deemed cost

Source-derived harvest rule: fair-value remeasurement stops for produce after transfer to inventory. Ch 10 fig 2

1. **+2 rule:** biological asset at FVLCTS each reporting date; movement to profit or loss.
2. **+2 carrying:** $714,000.
3. **+2 gain:** $194,000 unrealised gain to profit or loss.
4. **+3 hand-off:** wool $84,000 at harvest; deemed cost; AASB 102 thereafter.
5. **+3 critique:** absent active market, Level 3 estimation/manipulation risk; commodity swings put unrealised volatility through profit.

SELF-TEST → *Why is the relevance gain not automatically worth the faithful-representation cost? Add PAT and Integrity to the answer.*

## 22 · Market & CSR Cards

CH 7–9 WORKED

| IF YOU SEE X | → DO Y |
|---|---|
| Profit +8%; forecast +20%; shares −6%; market flat | Negative 12-point surprise; −6% roughly abnormal; rapid reaction fits semi-strong EMH, with behavioural qualifier. |
| Gas leak → sudden voluntary environmental detail | Social contract → legitimacy gap → repair; timing is evidence; test action/assurance. |
| Powerful lender/regulator targeted | Managerial stakeholder: power, strategic, positive. |

## 23 · Method Chooser

CH 1–10 SYNTHESIS

**SCENARIO CUE → FIRST LENS**

| | |
|---|---|
| **Why rule?** | regulation / politics |
| **Which amount?** | CF measurement |
| **Manager motive?** | PAT / agency |
| **Price reaction?** | CMR + behaviour |
| **Society/groups?** | legitimacy / stakeholder |

**Then add ethics + justified conclusion**

Start with the lens that explains the cue; add a rival only when it changes the judgement.

| CLASSIC TRAP | REPAIR PHRASE |
|---|---|
| Fence-sitting | "On balance, X is more persuasive because…" |
| Definition dump | "Here, [fact] activates [mechanism], therefore…" |
| Positive = good | Positive means descriptive/predictive, not desirable. |
| Political cost direction reversed | Visibility predicts income down. |
| Stakeholder branches swapped | Managerial = power; ethical = rights. |
| Fair value called error-free | Name level/input and uncertainty. |
| Bearer plant in AASB 141 | Plant → AASB 116; produce growing on it → AASB 141. |
| Harvest hand-off missed | FVLCTS becomes AASB 102 deemed cost. |

## 24 · Exam-Morning Retrieval

CH 11 STUDY STRATEGY

**Before leaving:** do not bring this sheet. On blank paper at home, reproduce the seven-question map, 1.8 min/mark, regulation trio, CF two gates, AASB 132 cash-obligation test, PAT directions, five principles + threats, DECIDE, market-surprise sentence, power-vs-rights and FVLCTS hand-off.

**THREE-PASS VERBAL CHECK**

```
PASS 1 · define each theory in one breath.
PASS 2 · attach one scenario fact and consequence.
PASS 3 · state rival/limit and a conclusion.
```

**In the room:** allocate marks × 1.8; read the verb and requested number; plan headings; answer every question; move when time expires. In the last check, circle each named theory, scenario fact and conclusion mentally: if one is missing, add the because-clause.



**Forward this to your tutorial group**

V2 · 2026-10-24


Your exam is closed book: nothing printed goes in. Use this sheet to revise and self-test, not to carry.

University of Adelaide Semester 2 examination period, November 2026 (check your personal exam timetable).