

## ACC00712 Essay 2020 S1

Word limit: 2,000 words

Due date: 5pm Friday, 22<sup>th</sup> May 2020

The due date is extended for 7 days. The new due date is 5pm Friday 22 May 2020. You don't need to apply for an extension if you submit the report before the new due date.

### Instructions:

- This is an **individual** assignment.
- Word limit must be between 1,800 - 2,200 words (excluding references or appendix).
- If there are any references used in the essay, the references should follow **Harvard Referencing Style**.

## **Objective and Content:**

The purpose of this essay is to examine your understanding of concepts and principles in business accounting. You also need to support your explanation based on the Australian Accounting Standards or other relevant documents such as GAAP (General Accepted Accounting Principles). Furthermore, you should be able to identify the implementation of accounting standard in business practices.

The 2020 stock market crash caused by the COVID-19 pandemic resulted in a stock price downturn of at least 25%, and up to 30% in most G20 nations. There was a sudden dramatic decline of stock prices across a significant cross-section of global stock markets, resulting in a significant loss of recorded wealth in corporate financial statements.

From 24 - 28 February 2020, stock markets around the world started to decline and reported their largest one-week declines since the 2008 global financial crisis (GFC), thus entering a market correction.

On 9 March, most global markets reported severe contractions, mainly in response to the 2019–20 coronavirus pandemic and an oil price war between Russia and the Organization of the Petroleum Exporting Countries led by Saudi Arabia. This became colloquially known as Black Monday I, and at the time was the worst drop in stock market prices since the 2008 GFC.

Three days after Black Monday I there was another drop, Black Thursday, where stocks across Europe and North America fell more than 9%. Wall Street experienced its largest single-day percentage drop since Black Monday in 1987, and the FTSE MIB of the Borsa Italiana fell nearly 17%, becoming the worst-hit market during Black Thursday. At least one benchmark stock market index in all G7 countries and 14 of the G20 countries have been declared to be in bear markets.

The following graph shown the Down Jones Industry Average since 19<sup>th</sup> February 2020.



Graph 1: Down Jones Industry Average since 19<sup>th</sup> February 2020

In your essay, you should address the following questions:

- 1) How should an entity measure share investments in other entities? (4 marks)
- 2) What are the measurement methods commonly used by an entity? Compare and evaluate the usefulness of these methods for general purpose financial statement users. (6 marks)
- 3) Provide two examples of measurement practice (one example for an asset and one example for a liability) adopted by the chosen company. Explain. (4 marks)
- 4) In your opinion, from the perspective of the executive management and CFO of the entity, provide recommendations regarding the appropriate measurement methods that should be adopted by the entity in the current financial environment. (4 marks)

Demonstration of effective communication and logic presentation (2 marks)

## Assessment criteria:

The quality of this essay will be assessed based on the following criteria:

- Identify and evaluate the implementation of concepts, principles or relevant requirements of accounting standards
- Demonstrate the implementation of concepts or principles in business practices supported by the evidence from the annual report of the chosen company.
- Use paragraphs from the *Australian Conceptual Framework for Financial Reporting, AASB 101 Presentation of Financial Statements* or other AASBs as guidelines to support your discussion if necessary.
- Demonstrate effective communication, logical presentation and integrated evaluation.

## References:

- You can apply *AASB Conceptual Framework for Financial Reporting, AASB 101 Presentation of Financial Statement* as a guideline to support your arguments.
- You also can refer to journal articles, for example :

Fair Value Accounting and the Banking Crisis in 2008: Shooting the Messenger, André, P, Cazavan-Jeny, A, Dick, W, Richard, C & Walton, P, 2009, *Journal of Accounting in Europe*, Vol.6, Pages 3-24, <https://doi.org/10.1080/17449480902896346>

Is It Fair to Blame Fair Value Accounting for the Financial Crisis? Robert C. Pozen, *Crisis Management*, sources: <https://hbr.org/2009/11/is-it-fair-to-blame-fair-value-accounting-for-the-financial-crisis>

Did "Mark-To-Market" Rules Cause The Financial Crisis? Gary Halbert, *Halbert Wealth Management*, 9/18/18

- To complete this essay, you should find a 2018/2019 annual report of a listed company on the ASX. Reserve your chosen company on the discussion board. You cannot choose the company if it has been chosen by other students. 'First come, first serve' is the policy for selecting your company.

## **Submission:**

- Please submit your essay **online** via the link for Turnitin assignment submission provided on the Blackboard site.
- You must use the electronic **Assignment Cover Sheet** provided, fill in details in the cover sheet and then make this sheet the first page of your assignment. Do not send it as a separate document.
- The file name should include (in order) your first name initial, surname and your student number. For example: '**PBill1235456**'.
- Your assignment must be submitted as a **Word document**. If you wish to submit in any other file format please discuss this with your lecturer before the assignment submission date.