

Common Course Outline

ACCT 260

International Accounting

3 Credits

The Community College of Baltimore County

Description

ACCT 260 – International Accounting examines accounting requirements, practices, and issues related to international business activities and foreign operations, with a focus on the accounting issues encountered by multinational companies engaged in international trade and foreign direct investments. The course compares International Financial Reporting Standards (IFRS) and U.S. Generally Accepted Accounting Principles (GAAP) to enhance the development of a "critical thinking" approach to financial accounting and reporting. The differences in perspectives, standards, and national cultures across different countries and geographical areas will be reviewed to provide an understanding of the financial reports produced under IFRS and U.S. GAAP.

3 Credits

Prerequisite: ACCT 202

Overall Course Objectives

Upon completion of this course students will be able to:

1. discuss the nature and scope of international accounting;
2. examine the importance of international trade, foreign direct investment, and multinational corporations in the global economy;
3. describe the problems caused by accounting diversity and the major environmental and cultural factors that influence national accounting systems and lead to accounting diversity;
4. examine the International Accounting Standards Board's (IASB) principles-based approach for the adoption of International Financial Reporting Standards (IFRS) and the issues related to international convergence of financial reporting;
5. discuss the differences that exist between IFRS and U.S. Generally Accepted Accounting Principles (GAAP) and the impact these differences have on the financial statements;
6. examine the regulations for accounting and financial reporting in China, Germany, Japan, Mexico, and the United Kingdom, and identify the areas where these national accounting practices differ from IFRS;
7. describe the foreign exchange market;
8. explain how fluctuations in exchange rates give rise to foreign exchange risk;
9. describe how foreign currency transactions can be used to hedge foreign exchange risk;
10. recognize the conceptual issues involved in translating foreign currency financial statements;
11. apply and compare the current rate and temporary methods of translation;

12. describe general purchasing power accounting and current cost accounting as it relates to accounting for inflation;
13. discuss the issues related to accounting for business combinations, the preparation of consolidated financial statements (group accounting), and IFRS segment reporting requirements;
14. describe the reasons and issues related to the analysis of financial statements of foreign companies;
15. describe differences in corporate income tax and withholding tax regimes across countries, including how overlapping tax jurisdictions cause double taxation and how foreign tax credits can reduce this;
16. explain the rules related to controlled foreign corporations, subpart F income, tax treaties, and how foreign tax credit baskets affect U.S. taxation of foreign source income;
17. describe the importance of transfer pricing in achieving goal congruence and cost minimization in decentralized organizations, and worldwide efforts to enforce transfer pricing regulations;
18. explain the role played by accounting in formulating multinational business strategy, including multinational capital budgeting, strategy implementation, and performance evaluation systems;
19. examine auditing issues in an international context, including corporate governance guidelines at the international level, international diversity in external auditing, international harmonization of auditing standards, auditor liability and auditor independence, and ethical issues involved at the international level; and
20. explain international corporate social reporting (CSR), the role of the Global Reporting Initiative (GRI), and the current international theories and regulations for CSR practices of multinational companies.

Major Topics

- I. An Introduction to International Accounting
 - A. What is International Accounting
 - B. Evolution of a Multinational Corporation
 - C. The Global Economy
- II. Worldwide Accounting Diversity
 - A. Evidence of and Reasons for Accounting Diversity
 - B. Problems Caused by Accounting Diversity
 - C. Accounting Clusters
 - D. Influence of Culture on Financial Reporting
 - E. Simplified Model of the Reasons for International Differences in Financial Reporting
 - F. Further Evidence of Accounting Diversity
- III. International Convergence of Financial Reporting
 - A. International Accounting Standard-Setting
 - B. Harmonization Efforts
 - C. Creation of the IASB
 - D. Arguments for and against International Convergence of Financial Reporting Standards
 - E. Principles-Based Approach to International Financial Reporting Standards
 - F. The IASB Framework

- G. International Financial Reporting Standards
- H. IFRS in the European Union and the United States
- IV. International Financial Reporting Standards
 - A. Types of Differences between IFRS and U.S. GAAP
 - B. Inventories; Property, Plant, and Equipment; and Investment Property
 - C. Intangible Assets, Goodwill, and Impairment of Assets
 - D. Borrowing Costs and Leases
 - E. Disclosure and Presentation Standards
 - F. Current Liabilities
 - G. Provisions, Contingent Liabilities, and Contingent Assets
 - H. Employee Benefits and Share-Based Payments
 - I. Income Taxes
 - J. Revenue Recognition
 - K. Financial Instruments
- V. Comparative Accounting
 - A. People's Republic of China
 - B. Germany
 - C. Japan
 - D. Mexico
 - E. United Kingdom
- VI. Foreign Currency Translations and Hedging Foreign Exchange Risk
 - A. Foreign Exchange Markets
 - B. Foreign Currency Transactions
 - C. Hedging Foreign Exchange Risk
 - D. Accounting for Derivatives
 - E. Hedge Accounting, Hedging Combinations, and Hedges of Foreign-Currency-Denominated Assets and Liabilities
 - F. Forward Contracts and Foreign Currency Options
- VII. Translation of Foreign Currency Financial Statements
 - A. Translation Methods
 - B. Disposition of Translation Adjustment
 - C. U.S. GAAP
 - D. International Financial Reporting Standards
 - E. Translation of Financial Statements: Current Rate Method and Temporal Method
- VIII. Additional Financial Reporting Issues
 - A. Accounting for Changing Prices (Inflation Accounting)
 - B. Business Combinations and Consolidated Financial Statements
 - C. Segment Reporting
- IX. Analysis of Foreign Financial Statements
 - A. Reasons to Analyze Foreign Financial Statements
 - B. Potential Problems in Analyzing Foreign Financial Statements
 - C. Restating Financial Statements
- X. International Taxation
 - A. Types of Taxes and Tax Rates
 - B. Tax Jurisdiction
 - C. Foreign Tax Credits
 - D. Tax Treaties

- E. Controlled Foreign Corporations
- F. U.S. Tax Treatment of Foreign Source Income
- G. Translation of Foreign Operation Income
- H. Tax Incentives
- XI. International Transfer Pricing
 - A. Decentralization and Goal Congruence
 - B. Transfer Pricing Methods
 - C. Objectives of International Transfer Pricing
 - D. Government Reactions
 - E. U.S. Transfer Pricing Rules
 - F. Advance Pricing Agreements
 - G. Enforcement of Transfer Pricing Regulations
- XII. Strategic Accounting Issues in Multinational Corporations
 - A. Strategy Formulation
 - B. Strategy Implementation
 - C. Evaluating the Performance of Foreign Operations
 - D. Culture and Management Control
- XIII. Comparative International Auditing and Corporate Governance
 - A. International Accounting and Corporate Governance
 - B. International Diversity in External Auditing
 - C. International Harmonization of Auditing Standards
 - D. Ethics and International Auditing
 - E. Internal Auditing
 - F. Future Directions
- XIV. International Corporate Social Reporting (CSR)
 - A. Theories to Explain CSR Practices
 - B. Drivers of CSR Practices by Companies
 - C. Implications of Climate Change for CSR
 - D. Regulating CSR Practices
 - E. CSR Practices by Multinational Corporations

Course Requirements

Grading/exams: Grading procedures will be determined by the individual faculty member but will include the following:

- Weekly Conference Participation
- Weekly Homework Problems
- A minimum of one research assignment
- Comprehensive Problem
- A minimum of three quizzes
- Comprehensive Final Exam

Written Assignments: Students are required to utilize appropriate academic resources. Evaluation of student performance will include some formal and/or informal writing assignments that contribute to the mastery of writing within the discipline of accounting. The individual faculty member will determine the specific writing assignments that demonstrate one or more of the

following abilities as appropriate to the course content: apply procedures, explain concepts, analyze financial data, or summarize current business events.

Other Course Information

- This course is required for the Certified Management Accounting Certificate Program and recommended for the CPA Exam Qualification Certificate Program.
- This course is recommended for the CPA exam in most states.

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