

Chapter 1 Accounting: its foundations

Question 1.1

Across: 2 non current; 5 current liability; 8 accrual; 10 profit; 11 interpreting; 12 users; 15 analysing; 16 external; 17 revenue; 18 process. **Down:** 1 current asset; 3 owners equity; 4 accounts payable; 6 internal; 7 service; 9 collecting; 13 expense; 14 assets.

Question 1.2

Across: 2 creditors; 5 debtors; 6 stationery; 10 office equipment; 11 accounts receivable; 14 postage; 15 stock on hand; 16 drawings; 17 loan; 19 machinery; 20 computers; 21 inventory. **Down:** 1 mortgage; 3 cash; 4 land; 7 accounts payable; 8 cash at bank; 9 motor vehicles; 12 capital; 13 building; 18 stock

Question 1.3

Across: 1 materiality; 3 disclosure; 4 continuity; 6 historical cost; 9 consistently; 11 conservatism; 12 Australian; 15 one year; 16 cost. **Down:** 2 indefinitely; 5 going concern; 7 entity; 8 monetary; 10 period; 13 laws; 14 all

Question 1.4

Across: 2 public; 5 financial statements; 7 users; 8 accrual; 10 corporations; 11 enforceability; 14 framework; 15 external; 16 balance sheet; 17 companies; 19 accrual; 20 assumptions. **Down:** 1 AASB; 3 consistency; 4 fair; 6 income statement; 9 going concern; 12 international; 13 entity; 14 financial; 18 IASB

Question 1.5

Across: 5 unlimited; 6 partners; 8 agreement; 9 silent; 12 shareholders; 13 partnership; 14 sole trader; 15 limited. **Down:** 1 corporations; 2 ltd; 3 directors; 4 pty; 7 shares; 10 proprietary; 11 registered; 13 public

Question 1.6

a deposited; cashed; b payee; drawer

Question 1.7

2 June 2016	RECEIPT NO. 454
<i>J Adam - cheque</i>	
<i>One hundred dollars 10¢</i>	
<i>Cash sale</i>	
100.10	<i>J Lawson</i>

6 June 2016	RECEIPT NO. 455
<i>Cash</i>	
<i>Eighty three dollars 60 ¢</i>	
<i>Cash sale</i>	
83.60	<i>J Lawson</i>

Question 1.8

- a Debit card – Payer presents card to payee who swipes it. Funds are transferred from the business bank account to supplier’s account.
Electronic funds transfer (EFT) – funds transferred from business bank account to supplier’s account using a computer or similar device.
- b EFTPOS – customers pay the business using a debit card or bank issued credit card.
Electronic funds transfer (EFT) – A customer can transfer money directly from their bank account to the business bank account using a computer or similar device.

Question 1.9

a

Bank Deposit Batch Report				Date 15 Apr 2016			
Batch item	Cheque details			Cash			
	Drawer	Bank	Amount	Notes		Coin	
				\$	c	\$	c
Receipts (Nos 375-76)							
Cash					45	00	
Cheques	M Eckett	NSW; Newcastle	147	65			
Cash sale docketts (Nos 006-007)							
Cash					80	00	3 00
Cheques							
Cash register tape							
Cash					675	00	50
Cheques	N Leighton	Victoria; Broken Hill	225	00			
	J Walsh	Regal; Sydney	42	70			
	M Ivetic	NSW; Hay	98	00			
Totals			513	35	800	00	3 50
Deposit details			\$	c			
Cash			803	50			
Cheques			513	35			
Total deposit			1 316	85			

b

Natural Australia Bank			DEPOSIT	
PHOSPHOROUS BRANCH			DATE 15 April 2016	
CREDIT (Deposit to the account of)			NOTES	800 00
<i>Billie Taylor</i>			COIN	3 50
DRAWER	BANK	BRANCH	CHEQUES	
<i>M Eckett</i>	<i>NSW</i>	<i>Newcastle</i>		147 65
<i>N Leighton</i>	<i>Victoria</i>	<i>Broken Hill</i>		225 00
<i>J Walsh</i>	<i>Regal</i>	<i>Sydney</i>		42 70
<i>M Ivetic</i>	<i>NSW</i>	<i>Hay</i>		98 00
			TOTAL	1 316 85

Question 1.10

a source; **b** control; **c** cheque; **d** receipt; duplicate receipt; **e** receives; original; **f** sends; carbon copy; **g** memo

Question 1.11

a Customer purchase order; inventory price list; despatch docket
b Purchase order; goods received advice

Question 1.12

a due care; **b** integrity; **c** objectivity; **d** professional competence; **e** confidentiality;
f professional behaviour

Question 1.13

The explanation should include the topic matters covered in the text; including the standards.

Question 1.14

Refer to text; topic matters covered: basic accounting terms.

Question 1.15

Horizontal terms: 2 analysing; 3 non-current; 4 revenue; 5 accounts payable; 6 service; profit; 7 asset; 8 collecting; 9 process; 14 current liability; 18 users; 20 interpreting.

Vertical terms: 7–18 owners equity; 16–18 tax. **Diagonal terms:** 9–15 accrual; 19–8 current asset; 20–14 expense

Question 1.16

a postage; **b** loan; **c** drawings; **d** mortgage; **e** accounts receivable; **f** cash at bank;
g debtors; **h** creditors; **i** motor vehicles; **j** building; **k** machinery; **l** capital; **m** cash;
n bank; **o** land; **p** accounts payable; **q** office equipment; **r** inventory; **s** computers;
t sales; **u** stock on hand; **v** stock

Question 1.17

1 period convention; 2 entity convention; 3 going concern convention; 4 recognition of law convention; 5 entity convention; 6 historical cost convention; 7 monetary convention; 8 period convention; 9 historical cost convention; 10 consistency doctrine; 11 disclosure doctrine; 12 disclosure doctrine; 13 materiality doctrine

Question 1.18

a continuity of activity; **b** going concern; **c** historical record; **d** conservatism; **e** recognition of law;
f materiality; **g** accounting period; **h** consistency; **i** accounting entity; **j** disclosure;
k historical cost; **l** monetary; **m** business entity

Question 1.19

Refer to text 'Purpose or objective of standards'.

Question 1.20

Refer to text 'Framework for the preparation and presentation of financial statements (the Framework)'.

Question 1.21

- AASB 101 Presentation of Financial Statements
- AASB 102 Inventories
- AASB 107 Statement of Cash Flows
- AASB 112 Income Taxes
- AASB 116 Property; Plant and Equipment
- AASB 127 Separate Financial Statements
- AASB 134 Interim Financial Reporting
- AASB 137 Provisions, Contingent Liabilities and Contingent Assets
- AASB 138 Intangible Assets
- AASB 141 Agriculture

Question 1.22

(Note: vertical = v; diagonal = d) **a** corporations (v)18–7; **b** ltd (v)13–11; **c** public (v)9–4; **d** directors (d)16–8; **e** Pty (d)1–3; **f** unlimited (d)2–10; **g** partners (v)11–4; **h** shares (v)20–15; **i** agreement (v)11–3; **j** silent (d)3–8; **k** proprietary (d)4–14; **l** registered (d)12–3; **m** shareholders (v)18–7; **n** partnership (v)12–2; **o** sole trader (v)8–17; **p** limited (v)13–19

Question 1.23

\$324.17

Question 1.24

3 March: \$2413.84; 6 March: \$2505.03; 9 March: \$1225.07; 12 March: \$2950.20; 23 March: \$402.05; 28 March: \$3045.90; Total for March: \$12 542.09

Question 1.25

Refer to text; topic matters covered in ‘Ethics as it applies to accounting’.

Question 1.26

Refer to text; topic matter ‘Accounting conventions or assumptions and accounting doctrines’.

Question 1.27

<i>Dubbo Book Nook</i>			
Phone/fax: (02) 6881 3404		Main Street, Dubbo NSW 2830	
SOLD TO		ABN: 12 345 467 890	
Dunedoo Soil Co-op		Tax Invoice No. 13171	
Mendooran Road		27 July 2016	
Dunedoo		2844	
Customer No.	Order Number	Trading Terms	
1612	59	net 30 days	
DESCRIPTION	QTY	UNIT PRICE	AMOUNT
How Can I Use Herbs in my Daily Life by Isabell Shipard	2	40.00	80.00
ADD 10% GST			8.00
TOTAL AMOUNT PAYABLE			\$88.00
E&OE			

Question 1.28

<p>BOURKE SUPPLIERS Co Supply Street, Bourke NSW 2840 (02) 6872 2287</p>		<p>TAX INVOICE 41987 ABN: 98 765 432 187</p>	
<p>SOLD TO Louth Purchasing Co Wilcannia Road Louth 2840</p>		<p>DELIVER TO Shed behind Shindy's Inn generator</p>	
Date	Customer Number	Customer Order Number	
6 April 2016	LOU05	LPC 8995	
Description	Qty	Unit Price	Amount Payable
Nudger NG14 Gate	3	380.00	1140.00
Add 10% GST			114.00
TOTAL AMOUNT PAYABLE			\$1254.00
E&OE			

Question 1.29

- a** A copy of each sales invoice is normally retained by the business. These would be filed in invoice number order.
- b** Purchase invoices should be filed with a copy of the relevant purchase invoice and goods received advice; normally in cheque number or EFT reference number order. They should be marked as 'Paid' with the relevant reference number written on them.