

Chapter 1: Accounting and Bookkeeping

Chapter Review Solutions

2. The basic purpose of an accounting system is to provide meaningful financial information, either to aid in the making of financial decisions or to meet statutory requirements.

4. Bookkeeping is the recording element of the accounting system. Accounting goes beyond recording to analysing, interpreting and reporting.

6. The standards provide guidance on adherence to the process for the recording of transactions and the reporting of those transactions.

The purpose of such standards is to provide guidelines and uniformity in the practice of accounting and to ensure information is not manipulated and to ensure of financial information obtain proper information.

8. (a) **Accounting Period:** Splits the indefinite life of a business into time periods. This enables performance to be measured for each accounting period, facilitating management of the business.
(b) **Matching Principle:** Expenses must be matched with the income they helped to earn.
(c) **Control:** Financial transactions entered into an accounting system are subject to processes and checks that ensure that all transactions are entered accurately and that errors and irregularities are minimised.

10. **Historical Cost Accounting** requires that transactions be recorded at their original or historical cost. However, after initial recognition, the accounting standards sometimes divert from this principle.

- 12 A reporting entity must submit an SMR to AUSTRAC if:
- the reporting entity commences to provide, or proposes to provide, a designated service to a person, or
 - a person requests the reporting entity to provide a designated service (of a kind ordinarily provided by the reporting entity), or
 - a person enquires of the reporting entity whether it would be willing to provide a designated service (of a kind ordinarily provided by the reporting entity)