

Contents

BOOK ONE: FINANCIAL TRANSACTIONS, SUBSIDIARY LEDGERS AND INTERIM REPORTS

Chapter 1:	Accounting and Bookkeeping	5
	1.1 Accounting and its Environment	6
	1.2 Users of Accounting Information	12
	1.3 Regulation	14
	1.4 Accounting Principles and Assumptions	16
	1.5 Business Classifications	18
	Solutions to Self-Testing Exercises	20
	Review Questions	21
Chapter 2:	Fundamentals of Accounting and GST	25
	2.1 The Accounting Process	26
	2.2 Account Classifications	34
	2.3 The Chart of Accounts	40
	2.4 GST Principles	43
	Solutions to Self-Testing Exercises	48
	Review Questions	51
Chapter 3:	Cash Receipts	53
	3.1 Internal Controls over Cash Receipts	54
	3.2 Source Documents for Cash Receipts	55
	3.3 Cash Receipts for a Service Business	59
	3.4 Cash Receipts for a Retail Business	63
	3.5 Banking Receipts	65
	Solutions to Self-Testing Exercises	70
	Review Questions	71
Chapter 4:	Cash Payments	75
	4.1 Internal Controls over Cash Payments	76
	4.2 Source Documents for Cash Payments	76
	4.3 Recording Dates for Cash Transactions	80
	4.4 Cash Payments Book	81
	Solutions to Self-Testing Exercises	87
	Review Questions	90
Chapter 5:	The Double Entry System	91
	5.1 The Accounting Process	92
	5.2 The Accounting Equation	93
	5.3 Rules of Double Entry	98
	5.4 Cash Receipts and the Double Entry System	100
	5.5 Cash Payments and the Double Entry System	105
	5.6 Account Formats	110
	5.7 Posting to the General Ledger	115
	Solutions to Self-Testing Exercises	123
	Review Questions	132
Chapter 6:	Petty Cash	137
	6.1 The Need for a Petty Cash System	138
	6.2 Operation of the Imprest System of Petty Cash	139
	6.3 Accounting for Petty Cash Using the Imprest System	140
	6.4 Alternative Petty Cash Processes	148
	Solutions to Self-Testing Exercises	150
	Review Questions	152
Chapter 7:	Credit Purchases and Credit Sales	155
	7.1 Types of Accounting Systems	156
	7.2 Credit Policy	157
	7.3 Source Documents	158
	7.4 Perpetual Inventory System	160
	7.5 Accounting for Credit Purchases and Returns	161
	7.6 Payables Subsidiary Ledger	164
	7.7 Accounting for Services Provided on Credit	169
	7.8 Accounting for Credit Sales and Returns	171
	7.9 Receivables Subsidiary Ledger	173
	7.10 Trial Balance	180
	7.11 Comprehensive Example	183
	Solutions to Self-Testing Exercises	190
	Review Questions	198

Chapter 8:	Managing Debtors and Creditors	223
	8.1 Debt Collection and Aged Reports	224
	8.2 Credit Policy	227
	8.3 Interest Charged to Customers	231
	8.4 Interest Charged by Suppliers	232
	8.5 Discount Allowed	233
	8.6 Discount Received	234
	8.7 Bad Debts	235
	8.8 Bad Debt Recovery	236
	8.9 Doubtful Debts	238
	8.10 Contra Entries	244
	8.11 Dishonoured Cheques	246
	Solutions to Self-Testing Exercises	248
	Review Questions	252
Chapter 9:	Periodic Inventory Systems	255
	9.1 Features of the Periodic Inventory System	256
	9.2 Gross Profit Calculation in the Periodic Inventory System	256
	9.3 Journal Entries for the Periodic Inventory System	261
	9.4 Perpetual and Periodic Inventory Systems Contrasted	266
	Solutions to Self-Testing Exercises	268
	Review Questions	270
Chapter 10:	Specialised Journals	271
	10.1 The Use of Specialised Journals	272
	10.2 Information Flow for Specialised Journals	272
	10.3 Credit Sales Journal	273
	10.4 Cash Receipts Journal	275
	10.5 Credit Purchases Journal	277
	10.6 Cash Payments Journal	280
	10.7 Posting Specialised Journals	285
	Solutions to Self-Testing Exercises	291
	Review Questions	298
Chapter 11:	Bank Reconciliations	307
	11.1 The Bank Ledger Account	308
	11.2 Bank Statements	308
	11.3 The Need for Bank Reconciliation	309
	11.4 The Bank Reconciliation Statement	310
	11.5 The Bank Reconciliation Process	315
	11.6 Discrepancies in Cash Records	322
	Solutions to Self-Testing Exercises	326
	Review Questions	328
Chapter 12:	Special Transactions	335
	12.1 Commencement of Business	336
	12.2 Purchase of an Existing Business	339
	12.3 Introduction of Additional Capital	345
	12.4 Drawings by the Owner	346
	12.5 Purchase of Non-Current Assets	349
	12.6 Correction of Errors	351
	Solutions to Self-Testing Exercises	354
	Review Questions	357
Chapter 13:	Interim Reports	363
	13.1 Basic Financial Reports	364
	13.2 What is Profit?	366
	13.3 Income Statement for a Service Business	367
	13.4 Income Statement for a Retail Business	369
	13.5 Balance Sheet	371
	13.6 Worksheets	376
	Solutions to Self-Testing Exercises	380
	Review Questions	387

Contents

BOOK TWO: PREPARE FINANCIAL REPORTS

Chapter 14: Depreciation and the Asset Register	5
14.1 Definitions	6
14.2 Capital vs. Revenue Expenditure	7
14.3 Capital Cost of Non-Current Assets	8
14.4 What is Depreciation?	10
14.5 The Depreciation Process	11
14.6 Calculation of Depreciation Using Different Methods	13
14.7 Accounting for Depreciation	21
14.8 Accounting for Disposal of Depreciable Assets	26
14.9 The Asset Register	37
Solutions to Self-Testing Exercises	39
Review Questions	47
Chapter 15: Balance Day Adjustments	53
15.1 Accrual Accounting and the Matching Principle	54
15.2 The Profit and Loss Account	54
15.3 Journal Entries that must be Reversed	55
15.4 Non-Reversing Entries	67
Solutions to Self-Testing Exercises	73
Review Questions	79
Chapter 16: Closing Entries	81
16.1 The Purpose of Closing Entries	82
16.2 Closing Entries – Perpetual Inventory System	82
16.3 Closing Entries – Periodic Inventory System	91
16.4 Closing Entries – Service Business	97
Solutions to Self-Testing Exercises	100
Review Questions	106
Chapter 17: Final Reports	125
17.1 Ten Column Worksheet	126
17.2 Income Statement	130
17.3 Income Statement – Perpetual Inventory	131
17.4 Balance Sheet	134
17.5 Income Statement – Periodic Inventory	137
17.6 Income Statement – Service Businesses	142
17.7 Comprehensive Example	148
Solutions to Self-Testing Exercises	153
Review Questions	161