ACCTG 102 Accounting Concepts

UNIVERSITY OF AUCKLAND BUSINESS SCHOOL · SEMESTER 2, 2026

Full guide + ask Sia about ACCTG 102

SIDE 1/2 · PRIORITIES · definitions · formulas · decision rules · comparisons · EXAM REVISION SHEET · v2 · 2026-10-25

1 · Exam map

COURSE DATA + BRIEF

FINAL 50% · TEST 20% · Q · XER

ASSESSMENT	WEIGHT / STATUS
Final examination	**50%** — University course catalogue; weight not restated on Canvas — confirm
Mid-semester test (Inspera)	20%
Pre-workshop quizzes	5% = 10 × 0.5%
Assignment 3 (Xero)	5%
Assignments 1 & 2	Confirm on Canvas

Permitted materials: not confirmed for this offering in the course materials we hold — check the exam instructions on the LMS. *BRIEF.md · official-rule framing*

Confirmed scope: comprehensive Chapters 1–5 and 7–10 plus Xero. Practice paper: 15 compulsory questions / 75 marks, two hours; its conditions do not establish the real exam's conditions. Give the most repetitions to Chapters 7–10: the practice paper leaned toward bank reconciliation and receivables, non-current assets, liabilities and equity.

WHAT THE FINAL REWARDS	VISIBLE EVIDENCE
Definition	Name the account/classification precisely
Method	Write the formula or entry skeleton first
Working	Label substitution and keep units visible
Decision	State gain/loss, over/under or current/non-current
Proof	Re-add the journal or reconcile the control total

2 · Equation → statements

CH 1

ASSETS = LIABILITIES + EQUITY

Every entry keeps both sides equal

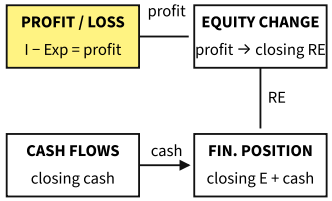
capital ↑ · income ↑ · expense ↓ · dividend ↓

Source figure redrawn: assets equal creditor claims plus owner claims; income and expenses move equity.

STATEMENT	EXAM HAND-OFF
Profit or loss	Income − expenses = profit
Changes in equity	Opening RE + profit − dividends = closing RE
Financial position	A = L + E at a date
Cash flows	Operating + investing + financing = cash change

3 · Statement links + Dr/Cr

CH 1–2



Source figure redrawn: profit feeds retained earnings; closing equity and closing cash tie to financial position.

ACCOUNT	INCREASE	NORMAL
Assets	Dr	Dr
Expenses	Dr	Dr
Dividends	Dr	Dr
Liabilities	Cr	Cr
Share capital / RE	Cr	Cr
Revenue	Cr	Cr

JOURNAL INVARIANT

```
ΣDr = ΣCr for every entry
Cash +30,000 / Share capital +30,000
→ Dr Cash 30,000; Cr Share capital
30,000
```

Transaction screen: record only events affecting A, L or E. Hiring alone has no entry. A part-cash asset purchase is compound: Dr asset for full cost; Cr Cash + Cr Accounts payable. An advance receipt is Dr Cash / Cr Revenue received in advance, because the service is still owed.

4 · Trial balance limits

CH 2

EQUAL TOTALS DO NOT DETECT	REASON
Omitted entry	Both sides absent
Entry posted twice	Both sides doubled
Wrong accounts, same sides	Arithmetic still equal
Equal Dr/Cr amount error	Both sides wrong equally
Offsetting errors	Differences cancel

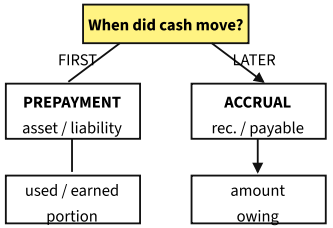
ENTRY VOCABULARY

TRANSACTION	DR	CR
Issue shares	Cash	Share capital
Borrow	Cash	Bank loan
Invoice service	AR	Service revenue
Pay expense	Expense	Cash
Bill unpaid	Expense	AP
Advance received	Cash	Revenue received in advance
Dividend paid	Dividends	Cash

Cash proof: post only Cash lines; credit revenue on account never enters the Cash account. State both the closing amount and whether it is a Dr or Cr balance.

5 · Adjusting-entry chooser

CH 3 · FINAL MECHANICS



Custom decision tree: classify first, calculate the movement second, then check that Cash is absent.

FAMILY	ADJUSTMENT	NUMBER
Supplies used	Dr expense / Cr Supplies	Ledger − count
Insurance expired	Dr expense / Cr Prepaid insurance	Cost × time used
Depreciation	Dr expense / Cr Accum. depreciation	Method charge
Advance earned	Dr liability / Cr revenue	Earned portion
Accrued revenue	Dr receivable / Cr revenue	Earned, unbilled
Accrued expense	Dr expense / Cr payable	Incurred, unpaid

Remaining-balance trap: if the note states the unearned balance that must remain, adjustment = ledger balance − required remaining. Omission direction follows the missing entry: omitted prepaid expiry → expense understated, profit and asset overstated; omitted accrual expense → expense and liability understated, profit overstated.

6 · Close + cycle

CH 3

CLOSE	ROUTE
Revenue	Dr revenue / Cr Profit or loss summary
Expenses	Dr summary / Cr expenses
Profit	Dr summary / Cr Retained earnings
Dividends	Dr Retained earnings / Cr Dividends

Cycle: analyse → journalise → post → trial balance → adjust → adjusted trial balance → statements → close → post-closing trial balance. Only permanent A/L/E balances survive.

Worked adjustments: Supplies used = 2,600−900 = 1,700 → Dr Supplies expense / Cr Supplies. Insurance expired = 3,600÷12×3 = 900 → Dr Insurance expense / Cr Prepaid insurance. Unearned fees = 2,000−800 = 1,200 → Dr liability / Cr revenue. Wages owing = 3,000÷5×3 = 1,800 → Dr Wages expense / Cr Wages payable. Proof: every entry balances; Cash is absent.

7 · Merchandising + GST

CH 4

EVENT	PERPETUAL ENTRY PATTERN
Credit purchase	Dr Inventory; Dr GST paid; Cr AP
Credit sale	Dr AR; Cr Sales; Cr GST collected
Cost transfer	Dr Cost of sales; Cr Inventory
Sales return	Reverse revenue side + put stock back at cost
Sales allowance	Reverse revenue side only; **no stock entry**
Trade discount	Record net price only
Settlement discount	Purchaser: Discount received; seller: Discount allowed

QUESTION-STATED GST RATE

```
Net = GST-inclusive amount ÷ (1 +
rate)
GST = gross - net
GST collected > GST paid → pay
difference
```

Use the rate stated. Course worked problems use 10% for arithmetic; NZ statutory rate is 15%; the practice final says ignore GST. GST affects receivables/payables and the sales/purchase side, never the cost entry of a sale. Freight-in belongs in inventory cost; freight-out is a selling expense.

8 · Inventory cost flow

CH 5

METHOD	COST OF SALES	ENDING INVENTORY
FIFO	Earliest costs	Latest costs
Periodic WAC	One pooled average	Same pooled average
Perpetual WAC	Moving average at each sale	Re-average after each purchase

PERIODIC CHAIN

```
Beginning inventory + net purchases
+ freight-in
= goods available - ending inventory
= cost of sales
WAC/unit = goods available cost ÷
units available
```

Rising prices: FIFO → lower cost of sales, higher ending inventory and profit than WAC. **LCNRV:** NRV = estimated proceeds − completion and selling costs; write inventory down, never up. LIFO is contrast only and not permitted under NZ IAS 2.

ERROR	COST OF SALES	PROFIT
Ending inventory understated	Overstated	Understated
Ending inventory overstated	Understated	Overstated
Beginning inventory understated	Understated	Overstated

Ownership check: include goods in transit when the buyer owns them (FOB shipping point); exclude consigned goods held for another owner. A perpetual sale still needs revenue and cost entries.

9 · Cash + receivables

CH 7 · FINAL PRIORITY

BANK-SIDE ITEM	TREATMENT
Outstanding deposit	Add to bank statement balance
Outstanding EFT	Deduct from bank statement balance
Bank error	Correct bank side
Fees / direct debit	Update books; journal required
Direct credit	Update books; journal required
Firm error	Correct books; journal required

PROOF

```
Adjusted bank statement balance =
updated Cash at bank ledger balance
```

Allowance method: estimate: Dr Bad debts expense / Cr Allowance. Write-off: Dr Allowance / Cr AR. Recovery: reinstate the receivable, then collect it. A write-off does not change net receivables; both gross AR and its allowance fall equally.

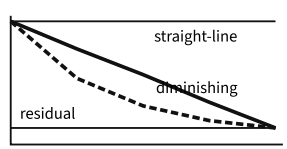
AGEING STEP	RULE
1	Balance × loss % for each age band
2	Sum = required closing allowance
3	Adjustment = required − existing credit balance
4	Net AR = gross AR − closing allowance

RECEIVABLES RATIOS

```
Credit risk = allowance ÷ gross AR
Turnover = net credit sales ÷
average net AR
Collection period = 365 ÷ turnover
```

10 · Depreciation methods

CH 8 · FINAL PRIORITY



life → front-loaded versus even allocation

Source figure redrawn: straight-line falls evenly; diminishing value charges more expense early.

THREE METHODS

```
SL annual = (cost - residual) ÷
useful life
DV = rate × opening carrying amount
UOP rate = depreciable amount ÷
total estimated units; expense =
rate × units used
```

Disposal gate: record depreciation to the sale date, then calculate carrying amount = cost − accumulated depreciation. Compare proceeds with carrying amount: above = gain; below = loss.

11 · Asset life cycle

CH 8

STAGE	RULE / ENTRY
Acquire	Capitalise costs necessary to acquire and ready the asset; expense annual insurance, registration and repairs
Catch-up	Annual charge × months/12 before disposal or revaluation
Impair	Loss = carrying amount − recoverable amount
Revalue up	Transfer accumulated depreciation into asset; increase → revaluation surplus
Revalue down	Expense unless reversing prior surplus on that asset
Dispose	Proceeds − carrying amount = gain/(loss); remove cost and accumulated depreciation

Land is not depreciated; land improvements are. Finite-life intangibles are amortised; patents use the shorter of legal and useful life. Goodwill and indefinite-life brands are impairment-tested, not amortised.

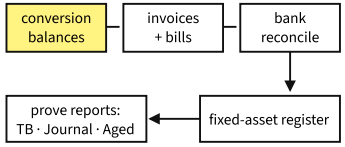
12 · Liability + equity rules

CH 9–10

PROMPT	DECISION RULE
Current?	Due within one year or operating cycle, whichever is longer
Note interest	Face × rate × time
Debenture redemption	Cash = face × price/100; cash > carrying amount → loss; cash < carrying amount → gain
Warranty	Required provision − existing balance = top-up
Contingency	Possible/unreliably measured → notes disclosure, not recognition
Share split	No entry; share count rises, stated value falls, total equity unchanged
Cash dividend	Declare: Dr RE / Cr payable; record date: no entry; pay: Dr payable / Cr Cash

13 · Xero workflow

WEEK 11 · FINAL WRITTEN



screen action → balanced entry → report

Custom workflow: Xero re-enacts the manual accounting cycle; every screen must be decoded into its entry.

SCREEN / TOOL	MEANING
Conversion balances	Opening trial balance; open invoices and bills must tie
Sales invoice	Dr AR / Cr Sales
Tracked item	Also Dr Cost of sales / Cr Inventory
Match	Connect bank line to an existing transaction
Create	Record an unentered bank item, e.g. fee
Find & Match / Split	One bank amount across several or part of an invoice

Semester Two examination period, 29 October – 16 November 2026 (check your personal exam timetable). Check your exam instructions on the LMS for what you may bring; use this sheet to revise and self-test.

ACCTG 102 Accounting Concepts · Worked self-test drills

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SIDE 2/2 FIVE WORKED DRILLS · judgement cards · traps · fast recall · exam-morning plan SELF-TEST: COVER ANSWERS v2 · 2026-10-25

14 · Drill 1 – FIFO vs WAC CH 5 · 6 MARKS

Given: 120 units @ $8 = $960; buy 200 @ $9 = $1,800; buy 80 @ $9.50 = $760; ending count 150; sales price $16/unit.

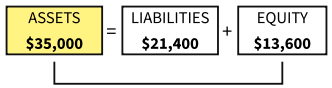
STEP	WORKING	ANSWER
Pool	120+200+80; 960+1,800+760	400 units; $3,520
Units sold	400−150	250
FIFO ending	80×9.50 + 70×9	**$1,390**
FIFO COS	3,520−1,390	**$2,130**
WAC/unit	3,520÷400	**$8.80**
WAC ending	150×8.80	**$1,320**
WAC COS	250×8.80	**$2,200**

PROFIT FINISH

```
Sales = 250×$16 = $4,000
FIFO GP = 4,000-2,130 = $1,870
WAC GP = 4,000-2,200 = $1,800
```

Proof: ending inventory + cost of sales = $3,520 under both methods. Rising costs make FIFO profit $70 higher here.

15 · Equation proof card SOURCE PRACTICE FIGURE



Dr: bank 9.3k + AR 4.7k + equipment 21k

Cr: accum. dep. 5.5k + AP 3.9k + loan 12k

owner funds = balancing $13,600

Source practice equation redrawn with the Xero conversion example: total debits and the Cr total are both $35,000.

16 · Inventory traps CH 4–5

IF YOU SEE…	DO THIS
Allowance	Revenue-side entry only
Return	Revenue reversal + inventory put-back
Moving average	Re-average only after a purchase
Periodic FIFO	Allocate latest layers to ending inventory
FOB shipping point	Buyer owns goods once shipped
Consignment	Exclude from holder's inventory

THREE PROOFS BEFORE MOVING ON

```
Units available = units sold + units ending
Goods available cost = COS + ending inventory
Gross profit = net sales - COS
```

For any GST-inclusive merchandise amount, show the split before the entry. For a perpetual sale, prove the selling-price entry and the cost entry independently.

17 · Drill 2 – allowance CH 7 · 12 MARKS

Given: gross AR $180,000; existing allowance Cr $3,300. Ageing: $96,000×2%; $42,000×4%; $24,000×10%; $12,000×20%; $6,000×40%. Net credit sales $960,000; prior net AR $147,200.

BAND	LOSS
Not due	96,000×2% = 1,920
1–30 days	42,000×4% = 1,680
31–60	24,000×10% = 2,400
61–90	12,000×20% = 2,400
>90	6,000×40% = 2,400
REQUIRED ALLOWANCE	**$10,800**

ENTRY + PRESENTATION

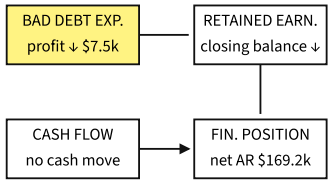
```
Adjustment = 10,800-3,300 = $7,500
Dr Bad debts expense 7,500
Cr Allowance for doubtful debts 7,500
Net AR = 180,000-10,800 = $169,200
```

RATIOS

```
Credit risk = 10,800÷180,000 = 6.0%
Average net AR = (147,200+169,200)÷2 = 158,200
Turnover = 960,000÷158,200 ≈ 6.1 times
Collection period = 365÷6.1 ≈ 60 days
```

Judgement: about 60 days against n/30 terms is roughly double the stated period; collections are slow. Ageing gives the required closing balance, not the entry amount.

18 · Statements still interlock SOURCE PRACTICE FIGURE



Source statement-link figure redrawn: the estimate lowers profit and net receivables but does not move cash.

18b · Final self-check ALL CHAPTERS

CHECK	QUESTION
Classification	Asset, liability, equity, income or expense?
Timing	Earned/incurred now, or cash only?
Balance	Does each entry balance?
Denominator	Average or ending balance? units or dollars?
Direction	Gain/loss; over/understatement; current/non-current?
Presentation	Correct account name, unit and one-line judgement?

19 · Drill 3 – disposal CH 8 · 6 MARKS

Given: machine cost $24,000; residual $3,000; useful life 7 years; bought 1 April 2022; sold 31 July 2025 for $13,900; 31 March balance date; straight-line; ignore GST.

STEP	WORKING	ANSWER
Annual dep.	(24,000−3,000)÷7	$3,000
Recorded	3 years×3,000	$9,000
Catch-up	3,000×4/12	**$1,000**
Accum. dep.	9,000+1,000	**$10,000**
Carrying amount	24,000−10,000	**$14,000**
Loss	13,900−14,000	**($100)**

ENTRY 1 — CATCH-UP

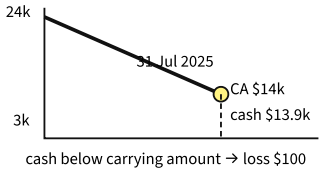
```
Dr Depreciation expense 1,000
Cr Accumulated depreciation—machinery 1,000
```

ENTRY 2 — DISPOSAL

```
Dr Cash at bank 13,900
Dr Accumulated depreciation—machinery 10,000
Dr Loss on disposal 100
Cr Machinery 24,000
```

Proof: Dr total $24,000 = Cr total $24,000. Catch up before comparing proceeds with carrying amount. Skipping it would produce the source's incorrect $1,100 loss.

20 · Carrying-amount picture SOURCE DEPRECIATION FIGURE



Source depreciation figure redrawn around the worked disposal: update the line to the sale date before reading the gain or loss.

21 · Asset traps CH 8

IF YOU SEE…	DO THIS
Market value rising	Still depreciate: allocation, not valuation
DV after Year 1	Rate × opening carrying amount, not cost
Mid-year sale	Catch-up first
Upward revaluation	Equity surplus, not profit
Fully depreciated but used	Carrying amount is not market value

22 · Drill 4 – debentures CH 9 · 6 MARKS

Given: face and carrying amount $200,000; 7% debentures; interest already recorded and paid. Compare redemptions at 103 and 96.

PRICE	CASH	COMPARE WITH CA	RESULT
103	200,000×103/100 = 206,000	6,000 above	**loss $6,000**
96	200,000×96/100 = 192,000	8,000 below	**gain $8,000**

AT 103

```
Dr Debentures payable 200,000
Dr Loss on redemption 6,000
Cr Cash at bank 206,000
```

AT 96

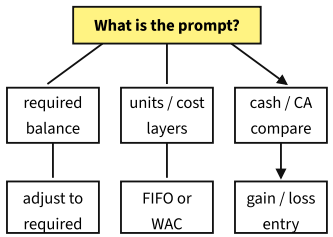
```
Dr Debentures payable 200,000
Cr Cash at bank 192,000
Cr Gain on redemption 8,000
```

Anchor on cash versus carrying amount, not whether the quoted price "went up" or "went down". Do not add interest when the stem says it is already dealt with.

23 · Provisions + loan schedule CH 9

ITEM	ENTRY / CALCULATION
Warranty estimate	Dr Warranty expense / Cr Warranty provision
Claim honoured	Dr Warranty provision / Cr Inventory
Year-end top-up	Required closing balance − existing balance
Loan interest	Opening balance × periodic rate
Principal reduction	Payment − interest
Closing loan	Opening loan − principal reduction

24 · Method chooser ALL CHAPTERS



Custom method chooser: classify the prompt before calculating; most errors start with the wrong routine.

Provision check: required closing warranty provision − existing balance = year-end top-up. When a claim is honoured: Dr Warranty provision / Cr Inventory; do not expense it again.

25 · Drill 5 – dividends CH 10 · 6 MARKS

Given: 60,000 ordinary shares; profit $70,000; final cash dividend $0.35/share; declare 15 March, record 5 April, pay 28 April.

SIZE

```
60,000×$0.35 = $21,000
```

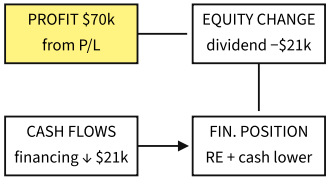
DATE	ACCOUNTING
15 March	Dr Retained earnings 21,000; Cr Dividends payable 21,000
5 April	**No entry** — only fixes entitlement
28 April	Dr Dividends payable 21,000; Cr Cash at bank 21,000

PAYOUT

```
Cash dividends declared on ordinary shares ÷ profit
= 21,000÷70,000 = 30%
```

Cash dividends reduce total equity and create a liability on declaration. A share dividend transfers retained earnings to share capital; total equity and ownership percentages stay unchanged. A split changes share count and stated value only.

26 · Statement hand-offs SOURCE PRACTICE FIGURE



Source statement-link figure redrawn: declaration moves retained earnings; payment moves cash and clears the payable.

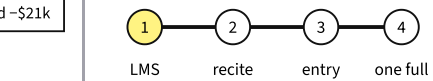
27 · Fast ratio wall CH 1, 4, 5, 7–10

RATIO	EXACT TAUGHT FORM
ROA	Profit ÷ average total assets
Profit margin	Profit ÷ net sales
Current ratio	Current assets ÷ current liabilities
Gross profit ratio	Gross profit ÷ net sales
Inventory turnover	Cost of sales ÷ average inventory
Days in inventory	365 ÷ inventory turnover
Quick ratio	(Cash + marketable securities + net AR) ÷ current liabilities
Times interest earned	(Profit before tax + interest expense) ÷ interest expense
Asset turnover	Net sales ÷ average total assets
RO ordinary equity	(Profit − preference dividends) ÷ average ordinary equity

28 · Judgement cards CLASSIC FINAL TRAPS

IF YOU SEE X…	→ DO Y
Amount "remaining"	Move ledger to that balance; do not post the balance itself
Existing allowance/provision	Required minus existing
Advance receipt	Liability until service is delivered
Unpaid expense	Expense now; payable now; cash later
Customer keeps goods	Allowance: no inventory movement
Perpetual sale	Revenue entry + cost entry
Different follow-up dates	Average stock balances when comparing a period flow with a point-in-time amount
Disposal between balance dates	Catch-up depreciation first
Redemption price > carrying amount	Loss; company pays extra
Record date for dividend	No entry
Current maturity of long debt	Reclassification only; no adjusting entry
Xero direct cash with no invoice	Receive Money / Spend Money

29 · Exam-morning plan STUDY STRATEGY + BRIEF



Formula → working → unit → judgement

Re-add journal: ΣDr = ΣCr

Custom plan: confirm current instructions, retrieve formulas and entry skeletons, then finish one complete disposal path.

1. **Check the LMS instructions** for time, mode and permitted materials; do not infer them from a practice paper.
2. From memory, write the ratio set, the Dr/Cr grid and the four adjusting families; compare against Side 1.
3. Recite the three high-value sequences: allowance required→adjustment→net AR; catch-up→carrying amount→gain/loss; declare→record date→pay.
4. Do one source-numbered drill without viewing the answer. Label workings: formula, substitution, answer and unit.
5. End with Xero: conversion balances are an opening trial balance; each screen posts an entry; reports prove the ledger.

SIA → *Self-test prompt: explain why each account is Dr or Cr before checking the number. A balanced entry can still use the wrong accounts.*