ACF1001 Accounting Fundamentals

MONASH UNIVERSITY · EXAM REVISION SHEET

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SIDE 1 · WHAT THE FINAL REWARDS — Semester 2, 2026 · definitions → rules → statements → decisions — **PRIORITY MAP**

1. Exam map [COURSE]

Project 20%	Exercise	Pres.	Examination 50%

Permitted materials: not confirmed for this offering in the course materials we hold — check the exam instructions on the LMS.

TASK	WHAT THE SOURCE CONFIRMS
Project	20%; current operation on Moodle
Exercise	20%; applied accounting exercise
Presentation	10%; linked to applied work
Examination	50%; threshold hurdle exists; numeric threshold and conditions must be checked live

PRIORITY *The recurring challenge is moving from transaction entries to whole-statement effects and management decisions without losing the sign or denominator.*

EVIDENCE BOUNDARY

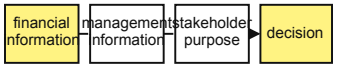
ZONE	WHAT BELONGS THERE
Published	Assessment architecture and topic sequence
Scenario	Facts supplied in the question
Inference	Your explained link from fact to effect
Decision	Qualified action plus review trigger

Do not turn the known 20/20/10/50 architecture into a claim about an unknown numeric hurdle or current operating condition. Verify before the condition changes your plan.

2. Decision users [C02]

ANSWER CHAIN

```
user + decision → required output → relevant information → limit
```



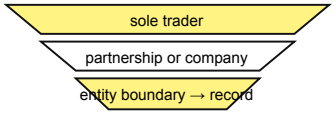
one measure ≠ every stakeholder question

Match information to the stakeholder's decision; do not reuse one measure for every purpose.

PROMPT ASKS FOR...	START WITH...	CHECK
Position/performance	Financial information	Period, amount, statement
Planning/control	Management information	Actor, action, review trigger
Recommendation	Stakeholder purpose	Who benefits/bears risk?
Recognised period result	Income statement	Income, expenses, profit/loss; cash timing separate
Why cash changed	Statement of cash flows	Operating, investing or financing movement
One measure for all users	Stakeholder purpose	Reject: decision needs differ

3. Reporting entity [C03]

Business transaction = an economic event recorded because it changes assets, liabilities, equity, income or expenses. Before recording, separate **owner** effects from **entity** effects.



Keep legal form, reporting boundary and economic substance as separate tests.

QUESTION	DO NOT COLLAPSE INTO
What is the legal form?	The reporting boundary
Whose transaction is it?	The owner's personal activity
What is the substance?	The label on the form

BOUNDARY RULE

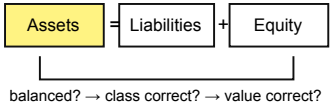
```
form ≠ boundary ≠ substance; answer all three.
```

4. Accounting equation [C04]

CORE RELATIONSHIP

```
Assets = Liabilities + Owners' equity
```

Record a transaction only after naming its **dual effect**. Prove the equation remains balanced, then run two further checks: correct **classification** and proper **valuation basis**.



Equality is a mechanical check, not proof that class and value are correct.

STEP	EXAM ACTION
1 Event	Name what changed
2 Elements	Identify A, L, E, income or expense
3 Direction	Mark increase/decrease for both effects
4 Control	Recheck equality, class and value

ELEMENT RECALL

ELEMENT	SOURCE-GROUNDED CUE
Asset / liability	Part of financial position
Owners' equity	Balances the equation with assets and liabilities
Income / expense	Recognised period amounts producing profit or loss
Cash movement	Classified O/I/F only when cash actually moves

Finish with the transaction's whole-statement effect: which closing balance changes, which period statement explains it, and which later decision uses the result.

5. Income & equity [C05]

The *income statement* reports recognised income and expenses and the resulting profit or loss **for a period**. Trace period events through recognition before explaining owner changes.

STATEMENT LINK

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recognised income - recognised expenses → profit/loss → owner changes
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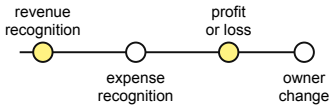


Recognition → profit/loss → equity; receipt timing may sit in a different period.

DO	WHY
Date the period	Performance is period-based
Apply recognition first	Cash timing can differ
Link profit to equity	Keeps owner effects visible
State the boundary	Cash receipt ≠ revenue recognition

TRAP *Do not place revenue in a period merely because cash moved then. State when recognition occurs, then trace expenses and the equity effect.*

6. Statement linkage [C05-C06]

STATEMENT	TIME LENS	QUESTION ANSWERED
Income statement	For a period	Recognised income, expenses, profit/loss
Changes in equity	For a period	Profit and owner changes
Balance sheet	At a date	Financial position and closing balances
Cash flows	For a period	Why cash changed

BOUNDARY

```
point-in-time position ≠ whole-period performance
```

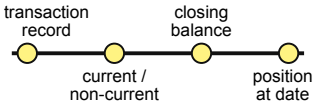
LINKAGE AUDIT

1. Identify whether the prompt concerns a **flow for a period** or a **position at a date**.
2. Trace recognition through profit/loss before linking it to owner changes.
3. Carry transaction effects into closing balances and check the accounting equation.
4. Explain cash separately; a profit effect need not be a cash movement in the same period.

State the date or period in the conclusion. Without it, a correct statement name can still support the wrong claim.

7. Balance sheet [C06]

Connect transaction records to a **classified statement of financial position**. Date every conclusion, classify current/non-current separately, and carry closing balances into the position statement.

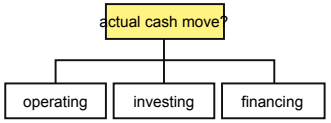


Transactions feed classification and closing balances, then financial position at a date.

CHECK	QUESTION
Completeness	Did every relevant transaction reach a closing balance?
Classification	Is current/non-current treated as its own decision?
Equation	Does A = L + E hold?
Interpretation	Have you avoided calling position "performance"?

8. Cash-flow statement [C07]

The statement classifies **cash inflows and outflows** as operating, investing or financing. Follow the actual cash movement; an asset or liability change enters cash totals only to the extent cash moved.



Only actual cash movements enter the three cash-flow classes.

IF YOU SEE...	DO...
A cash inflow/outflow	Classify operating, investing or financing
An asset/liability change	First test whether cash actually moved
Profit differs from cash	Explain recognition versus cash timing
A non-cash transaction	Keep it out of cash totals

CLASSIFICATION WORDING

"This is **[operating / investing / financing]** because the evidence describes **[actual cash movement]**. It is not **[nearest alternative]** because **[discriminator]**. Any non-cash effect is excluded from the cash total."

When cash changed differently from profit, name both paths: recognition explains the period result; the three cash-flow classes explain the movement in cash.

LINK CHECK *For each closing balance, name its transaction and current/non-current class, then state the date. Do not treat point-in-time position as the entire period's performance.*

9. Ratio analysis [C08]

Financial ratio analysis calculates and interprets relationships among statement amounts to evaluate performance, position or risk. The final value is not the conclusion.

COMPLETE RATIO ANSWER

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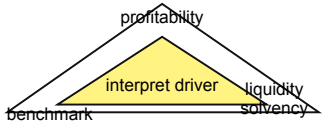
define numerator + denominator → identify period → calculate → compare with benchmark → explain driver
```



A ratio needs definition, period and benchmark before it supports a decision.

FAILURE	REPAIR
Names a ratio only	Define both quantities
Gives an isolated value	Add period and benchmark
Says "better/worse"	Name the driver and scope
Mixes aims	Separate profitability, liquidity and solvency

MARKER CHECK *State what the result denotes, what it is compared with, and which observation would weaken the interpretation.*

10. Compare before choosing [C01-C11]

DECISION LEDGER	RECORD
Condition	What is true now?
Stakeholder	Who is affected?
Evidence	What establishes the condition?
Mechanism	What changes the outcome?
Criterion	How are options judged?
Review trigger	What evidence would reveal failure?

RECOMMENDATION

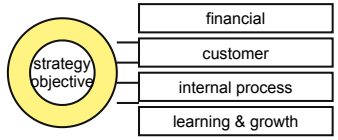
```
actor + action + rationale + review trigger
```

Compare at least two feasible options against the **same criteria**. State who benefits, who bears cost or risk, which capability implementation requires, and which observation would reveal failure.

RATIO INTERPRETATION LINE	REQUIRED CONTENT
Result	Name relationship, period and scope
Comparison	Use a suitable benchmark
Mechanism	Explain the driver, not just direction
Qualification	State evidence that could narrow or reverse the claim

11. Balanced scorecard [C09]

A *balanced scorecard* combines financial measures with customer, internal-process, and learning-and-growth perspectives. Start from one strategy/objective; every measure needs an owner and causal link.

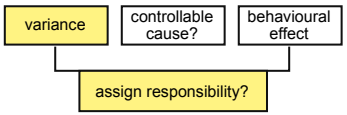


Measures are useful only when ownership and causal links to the objective are clear.

PERSPECTIVE	EXAM QUESTION
Financial	Which outcome supports the objective?
Customer	Whose response matters?
Internal process	Which operation must change?
Learning & growth	Which capability enables it?

BOUNDARY *More indicators do not improve control when causal links and ownership are unclear.*

12. Performance & CVP [C10-C11]



Diagnose the difference and controllability before assigning responsibility.

METHOD	REQUIRED MOVE	LIMIT
Variance	Find cause; test controllability	Unfavourable ≠ poor management
Budgeting	Estimate future activity; classify costs	Planning and control purpose
CVP	Relate volume, price, variable cost, fixed cost and profit	Linear assumptions only within relevant range
Contribution margin	Keep distinct from profit and cash reasoning	Stress-test changed volume

CVP ANSWER PATH

```
relevant range → fixed/variable cost → contribution margin → break-even/target-profit decision → stress test
```

TRAP *Do not extrapolate a linear result indefinitely. State the relevant range and what cost or revenue assumption could change.*

DECISION-LANGUAGE CONTROL

Keep four ideas distinct: **contribution margin** supports the CVP mechanism; **profit** is the resulting period outcome; **cash** follows actual movements; a **variance** is a performance difference requiring diagnosis. Substituting one for another breaks the answer chain.

ACF1001 Accounting Fundamentals · Drills & traps

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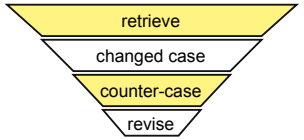
SIDE 2 · SELF-TEST DRILLS — **Attempt first** · then expose the answer path · say the limit aloud — **5 WORKED PATHS**

13. Method chooser [C02–C11]

IF THE PROMPT SAYS…	YOUR FIRST MOVE
"Record the transaction"	Identify both effects; prove A = L + E
"Explain profit/equity"	Apply revenue and expense recognition
"Classify the cash flow"	Confirm cash moved; choose O/I/F
"Interpret a ratio"	Define, date, benchmark, explain driver
"Build measures"	Start with objective; link four perspectives
"Assign responsibility"	Diagnose cause and controllability first
"Use CVP"	State relevant range; separate contribution, profit and cash



Practice loop supplied by the guide: retrieve → transfer → counter-case → revise.

JUDGEMENT CARDS

SEE X	DO Y
One measure used for all users	Return to stakeholder purpose
Legal form treated as the boundary	Separate form, boundary and substance
Balanced equation claimed as "correct"	Check classification and valuation
Cash timing used as recognition	Re-date recognition

FIVE-BEAT RESPONSE

1. **Decision:** state what must be decided, by whom, and over what horizon.
2. **Evidence:** identify the scenario fact establishing the present condition.
3. **Mechanism:** explain what changes, for whom and through which process.
4. **Alternative:** test a feasible competing explanation or option against the same criterion.
5. **Recommendation:** give actor, action, rationale and review trigger; preserve the chapter limit.

REPAIR RULE *If a recommendation cannot point to the condition, evidence, mechanism or criterion, it is preference rather than a consequence of the case.*

Changed-case check: retrieve the chapter concepts without notes, assign each a distinct reasoning job, apply them to a changed case, then repair the first unsupported evidence link.

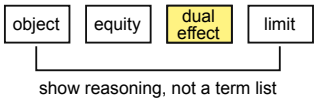
14. Drill 1 · Equation [C04 · 4 MARKS]

Prompt. Build a response that records a transaction by proving the equation remains balanced. Give assets/liabilities, equity and dual effect separate jobs; keep the conclusion inside the chapter boundary.

MARK	ANSWER PATH
1	Use assets and liabilities to fix the object/category being analysed.
1	Use equity to state the mechanism or rule changing the starting condition.
1	Use dual effect as the consequence or check that could alter the result.
1	Conclude: balance is mechanical, not proof that class and value are correct.

SAY IT ALOUD

```
event → two effects → A = L + E → class? → value?
```



Each concept has a distinct job; the last mark is the boundary.

SELF-CHECK *Could a balanced entry still be misclassified or misvalued? If you cannot answer yes and explain why, retry.*

15. Drill 2 · Recognition [C05 · 4 MARKS]

Prompt. A draft jumps from revenue recognition directly to profit and owner changes. Restore the missing expense-recognition link and state the limit.

MARK	ANSWER PATH
1	Mark the starting object: revenue recognition.
1	Write expense recognition as a verb-led mechanism.
1	Show how that link reaches profit and owner changes.
1	Preserve: cash receipt and revenue recognition can occur in different periods.

COMPLETE CHAIN

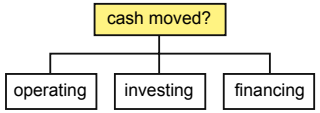
```
revenue recognition → expense recognition → profit/loss → owner change; cash timing checked separately
```

DRAFT SAYS…	REPAIR
"Cash arrived, so revenue now"	Apply recognition and date the period
"Profit rose, so cash rose"	Trace the actual cash movement separately
"Equity changed"	Name whether profit or owner change supplies the link

16. Drill 3 · Cash flows [C07 · 4 MARKS]

Prompt. A draft treats operating and investing cash flows as equivalent. Rewrite it so financing cash flow becomes a real discriminator.

MARK	ANSWER PATH
1	State the exact classification comparison required.
1	Define operating cash flow; place its observation beneath it.
1	Define investing separately; name the clue preventing collapse.
1	Apply financing to the same evidence; keep non-cash items out of cash totals.



First establish a cash movement, then discriminate among the three classes.

ANSWER SENTENCE

"The item is [class] because the actual cash movement belongs to [stated evidence]. It is not [nearest alternative] because [discriminator]. Any non-cash balance-sheet effect remains outside cash totals."

TRAP *An asset or liability change is not automatically a cash flow. Follow the transaction, not merely the closing balance.*

17. Drill 4 · Ratio [C08 · 4 MARKS]

Prompt. Work through how to calculate a ratio and interpret its driver against a suitable comparison.

MARK	ANSWER PATH
1	Define the target quantity/reference represented by profitability.
1	Write the liquidity/solvency relationship before substitution.
1	Carry the operation through; use a benchmark as the check.
1	Report result with unit, period and scope; then interpret.

INTERPRETATION STEM

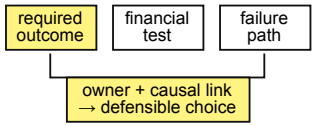
```
For [period/scope], [defined relationship] is [result] versus [benchmark], indicating [driver]; this conclusion is limited by [evidence/assumption].
```

SELF-CHECK *If the benchmark changed, would the judgement change even though the ratio did not? If yes, the benchmark belongs in the conclusion.*

18. Drill 5 · Scorecard [C09 · 4 MARKS]

Prompt. A draft chooses a response merely because "strategy and objectives" appears in the task. Use the financial and customer/process/learning perspectives to test whether the choice is defensible.

MARK	ANSWER PATH
1	Extract the outcome, actor or operation actually required.
1	State when strategy/objectives is relevant, not merely familiar.
1	Use the financial perspective to reject the nearest alternative; test the failure path with the other perspectives.
1	Choose, then state withdrawal point: no clear causal links/ownership.



Keyword recognition is not a method; outcome, discriminator and failure path are.

BOUNDARY

```
more indicators + unclear links/owners = more reporting, not better control
```

19. Integrated 4-mark path [COURSE]

Prompt. A response jumps from financial information directly to operating cash flow. Restore the missing sole-trader link and state the cash-flow limit.

1	Mark the starting object: financial information.
1	Write what sole trader changes as a verb-led link.
1	Show how that link reaches operating cash flow.
1	Limit: non-cash transactions do not enter cash totals merely because assets/liabilities change.

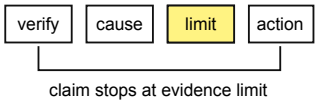
INTEGRATED AUDIT

MOVE	QUESTION
User	Which decision must the information support?
Entity	Whose transaction is this?
Equation	What are the two effects?
Statement	Which date/period and which recognition path?
Decision	What action and review trigger follow?

SCORECARD TRAP *More indicators do not improve control when causal links and ownership are unclear. For each measure, name the objective, perspective, owner and causal link; narrow the choice if a link cannot be shown.*

20. Classic traps [C03–C11]

TRAP	WHY IT FAILS	REPAIR
Form = entity	Collapses boundary and substance	Answer three separate questions
Equation balances, so entry is right	Class/value may still be wrong	Run both checks
Cash receipt = revenue	Recognition can be in another period	Date recognition
Position = performance	Balance sheet is at a date	Use period statements
Asset change = cash flow	Transaction may be non-cash	Verify cash movement
Ratio value = conclusion	No definition, period or benchmark	Add all three + driver
Many KPIs = control	Links/owners may be unclear	Trace objective → measure
Unfavourable = poor manager	Cause may be uncontrollable	Diagnose first
CVP line holds forever	Relevant range limits assumptions	State range; stress-test



Control sequence: verify → explain mechanism → state boundary → recommend action.

FAST-RECALL LIMITS

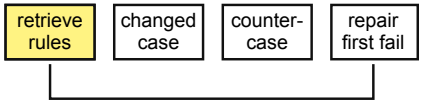
- One measure cannot answer every stakeholder's question.
- Legal form, reporting boundary and economic substance must not be collapsed.
- A point-in-time balance sheet does not measure the entire period's performance.
- A ratio without definition, period and benchmark is not a conclusion.
- Non-cash transactions stay outside cash totals.

FIRST UNSUPPORTED MOVE

On every practice answer, circle the first arrow not supported by the scenario: an undefined term, a missing actor, an unexplained mechanism, a collapsed comparison, an unstated period or a conclusion outside the evidence. Repair that move before adding detail.

WEAK ANSWER	HIGHER-VALUE REPLACEMENT
Lists familiar terms	Assign each term a distinct reasoning job
States an association	Write the verb-led mechanism
Chooses one option	Compare two against the same criteria
Ends with certainty	Add limit and review trigger

21. Exam-morning plan [PRACTICE]



Retrieve, transfer, test, repair; then verify every operational assessment detail.

PASS	WHAT TO RETRIEVE WITHOUT NOTES
1 Foundations	User → output; entity boundary; A = L + E; dual effect
2 Statements	Recognition; period vs date; cash O/I/F; non-cash boundary
3 Decisions	Ratio definition/period/benchmark; scorecard ownership/link
4 Control	Variance cause/controllability; CVP relevant range

FIVE-MINUTE ORAL GRID

TERM	DEFINITION	JOB	LIMIT
Accounting equation	A = L + E	Balance check	Not class/value proof
Income statement	Recognised income/expense	Period result	Cash timing differs
Cash-flow statement	O/I/F cash moves	Explain cash change	Exclude non-cash
Ratio analysis	Relationship of amounts	Evaluate position/performance/risk	Needs benchmark
Scorecard	Four perspectives	Link measures to strategy	Needs owner/causal link
CVP	Volume, price, costs, profit	Stress-test decision	Relevant range

ANSWER AUDIT

```
task visible? → terms defined? → mechanism shown? → alternative tested? → boundary stated? → question answered?
```

FINAL CONTROL *The examination is a threshold hurdle, but the numeric threshold and current operational conditions must be checked in the live task.*

22. Retry protocol [ALL]

1. Attempt a changed case without notes.
2. Mark the first unsupported arrow, wrong class, missing period or absent benchmark.
3. Repair that move only; state the boundary.
4. Retry until the chain is checkable from evidence to action.

LAST COUNTER-CASE

For CVP, change volume and ask whether the conclusion survives. Rebuild fixed/variable cost, contribution margin, break-even and target-profit links without notes. If the answer exceeds the relevant range, narrow it, state the assumption and repair the first unsupported move.