



01 · Exam map

COURSE DATA

20%

30%

FINAL 50%

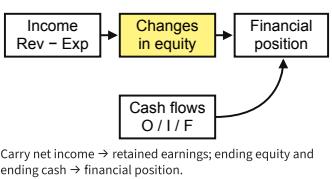
Class Participation 20% · Midterm Test 30% · Final examination 50%.

"ONE A4-size, both sides printed or handwritten cheat sheet is allowed." ACC1701B Assessment and Evaluation page, updated 2 September 2026.

FINAL	WHAT TO EXECUTE
120-minute closed-book digital exam; MCQs + short problems; comprehensive	Name family/section → show signed arithmetic → independent control → decision effect

02 · Select the statement

C1



DECISION	START HERE	CONTROL
Performance	Income statement	NI = revenue – expenses
Owner claim	Changes in equity	Ending RE roll-forward
Resources/claims	Financial position	A = L + E
Cash source/use	Cash flows	Opening cash + net change = ending cash

Profit ≠ cash. Credit revenue can raise profit and receivables before collection; buying equipment reduces cash without immediate expense; an advance raises cash and a liability before revenue.

EXAM CONTROL
Net income appears once, then is carried unchanged. Ending equity and ending cash must agree across statements.

EVENT	PROFIT	CASH	POSITION
Credit service, before costs	Revenue ↑	—	Receivable ↑; equity ↑
Customer advance	— until earned	↑	Cash ↑; liability ↑
Equipment purchase	— at purchase	↓	Equipment ↑; cash ↓
Depreciation	Expense ↑	—	Carrying amount ↓; equity ↓
Dividend payment	—	↓	Equity/cash ↓

DECISION-LANGUAGE FINISH
Credit service \$8,400 - supplies expense \$1,900 = NI \$6,500. Carry \$6,500 to RE; AR rises \$8,400, supplies fall \$1,900, and cash stays unchanged until next month.

03 · Transaction route

C2

DEBIT ↑
A · Exp · Div

CREDIT ↑
L · E · Rev

Account family fixes the normal side; a decrease uses the opposite side.

1. **Event?** Identify what economically happened and when.

2. **Accounts?** Name each resource, claim, revenue, expense or distribution.

3. **Direction?** Increase or decrease each account.

4. **Side?** Apply normal balance; total debit amounts = total credit amounts.

5. **Verify?** Restate the equation and recompute cash/profit independently.

NORMAL-SIDE MNEMONIC
Debit increases: Assets + Expenses + Dividends
Credit increases: Liabilities + Equity + Revenue

EVENT	CORRECT READING
Issue shares for cash	Dr Cash; Cr Share Capital — financing, not revenue
Buy equipment for cash	Dr Equipment; Cr Cash — asset exchange, not purchase-date expense
Service on account	Dr Receivable; Cr Revenue
Collect receivable	Dr Cash; Cr Receivable — no second revenue

TRAP A balanced entry may still use the wrong account, amount or period, or omit an event entirely. Equality is necessary, not proof of correct accounting.

04 · Adjustment chooser

C3

Cash and recognition differ

Cash first
DEFERRAL

Recognition first
ACCRUAL

prepaid expense

accrued expense

unearned revenue

accrued revenue

Start with timing; adjustments do not invent another cash movement.

CASE	PERIOD-END ENTRY	IF OMITTED
Prepaid item consumed	Dr Expense; Cr Prepaid asset	Asset, profit, equity too high
Advance earned	Dr Unearned revenue; Cr Revenue	Liability too high; revenue/profit too low
Expense incurred unpaid	Dr Expense; Cr Payable	Expense/L too low; profit/E too high

05 · Cycle & handoffs

C4

Analyse → Journal → Post → TB → Adjust

Post-close ← Close ← Report

Later stages consume earlier output: adjust before reporting; report before closing.

STAGE	EXAM CHECK
Adjusted trial balance	Posted debit and credit balances agree; supporting schedules agree with control accounts.
Income statement	Revenue – expenses = net income.
Equity roll-forward	Opening RE + net income – dividends = ending RE.
Financial position	Assets = liabilities + ending equity.
Close	Revenue, expenses, dividends → zero; permanent accounts carry.
Post-close TB	Only assets, liabilities and equity remain.

BRIDGE DISCIPLINE
NI = Revenue - Expenses
Ending RE = Opening RE + NI - Dividends
Ending equity = contributed capital + ending RE + other equity components

Carry each bridge number once. If destination and origin differ, trace the handoff; never average versions or insert a balancing plug.

TEMPORARY BALANCE	RESET ACTION	DESTINATION
Revenue has credit balance	Debit revenue	Transfer net period effect to retained earnings
Expenses have debit balances	Credit each expense	Transfer net period effect to retained earnings
Dividends have debit balance	Credit dividends	Reduce retained earnings; never reclassify as expense

CLOSING ENTRIES BY DIRECTION

TEMPORARY BALANCE	RESET ACTION	DESTINATION
Revenue has credit balance	Debit revenue	Transfer net period effect to retained earnings
Expenses have debit balances	Credit each expense	Transfer net period effect to retained earnings
Dividends have debit balance	Credit dividends	Reduce retained earnings; never reclassify as expense

The adjusted trial balance is a **handoff, not a statement**: it proves posted arithmetic but presentation still depends on classification. Reconcile supporting schedules before reporting.

06 · Closing classifier

C4

TEMPORARY
revenue · expenses
dividends → zero

PERMANENT
assets · liabilities
equity → carry

Dividends close because they are period distributions, but they are not expenses.

07 · Receivables method

C5

Aging buckets → Target allowance → Net receivable

Adjustment = target – existing credit or target + existing debit

Aging sets the required closing allowance; expense is only the movement to target.

CORE FORMULAS
Net receivables = gross receivables - closing allowance
Receivables turnover = net credit sales ÷ average net receivables
Collection days = 365 ÷ turnover

EVENT	ENTRY/EFFECT
Estimate expected loss	Dr ECL Expense; Cr Loss Allowance; net receivables ↓
Write off specific account	Dr Allowance; Cr Receivable; gross and allowance fall equally; net unchanged then
Recover written-off amount	Reinstate receivable, then record collection

INTERPRET Slower collection may reflect weaker screening, disputes or deliberate sales growth. Compare aging, customer mix, write-offs, terms and allowance.

08 · Bank reconciliation

C5

Bank balance

Book balance

timing items

book entries

Adjusted cash

Both independent records must reach one adjusted cash amount.

ALREADY RECORDED BY?	TREATMENT
Company, not bank: deposit in transit; outstanding cheque	Adjust bank side only; no journal
Bank, not company: fee, interest, direct collection, dishonoured item	Adjust book side and journalise
Error	Correct the side whose record is wrong

Classify by who has already recorded the item. Follow persistent timing items into the next statement; failure to clear may signal error or weak control.

INDEPENDENT PROOF

Adjusted bank = bank balance + deposits in transit - outstanding cheques ± bank errors
Adjusted books = ledger cash ± bank-originated items ± book corrections

Journalise book corrections; prove corrected ledger cash equals the reconciled amount and financial position. Age and trace old timing items to the next statement; investigate exceptions.

09 · Inventory route

C7

Order: ownership → quantity → cost pool → allocation → recoverability → ratio interpretation.
Goods in transit depend on transfer terms; consigned goods remain with the consignor.

Older cost

Middle cost

Newer cost

FIFO → cost of sales

ending inventory ←

Under rising costs, FIFO expenses older lower layers and retains newer higher layers.

COST CONTROLS
Cost available = beginning inventory + purchases
Cost available = cost of sales + ending inventory
Weighted-average unit cost = cost available ÷ units available
NRV = expected selling amount - completion/selling costs
Report at lower of cost and NRV

RISING COSTS	FIFO VS WEIGHTED AVERAGE
Cost of sales	Normally lower
Ending inventory / gross profit / equity	Normally higher

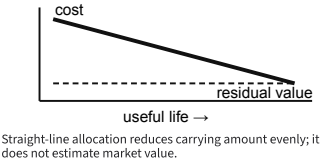
SPEED
Inventory turnover = cost of sales ÷ average inventory
Days in inventory = 365 ÷ turnover

TRAP Higher turnover can mean efficiency or stock shortage. Pair with margin, availability, demand and write-downs.

10 · Liability + PPE

C8

DECISION	RULE
Liability	Recognise present obligation; classify by settlement timing/operating cycle, not amount.
Loan split	Next principal portion → current; later principal → non-current; accrued interest separate.
PPE cost	Purchase price + costs necessary to bring asset to location/condition for intended use.
Routine repair	Expense; no additional future service.



11 · Equity routes

C9

Opening E → Share issue → Dividends → Ending E

Profit

Separate owner financing, earned performance and distributions before interpreting total equity.

CASH SOURCE/USE	ACCOUNTING
Customer after performance	Revenue / operating cycle
Owner share issue	Contributed capital; financing inflow; no profit
Lender	Liability; financing inflow
Dividend declaration	Retained earnings ↓; payable ↑; no expense
Dividend payment	Cash ↓; payable ↓; financing outflow

COMPONENT CONTROL
Ending share capital = opening + issues
Ending RE = opening + net income - dividends
Total equity = ending components combined

12 · Cash-flow classifier

C10

O	I	F
Main revenue-producing cycle: customer collections; supplier/employee payments	Acquire/dispose of long-term assets and investments	Obtain/return resources to lenders and owners

Net income

+ non-cash expense

- gains / + losses

± working capital

Operating cash

Indirect method removes non-cash items, disposal results and operating timing differences.

WORKING-CAPITAL SIGNS
Operating current asset ↑ → subtract; ↓ → add
Operating current liability ↑ → add; ↓ → subtract
Reason: receivables ↑ means revenue exceeded collection; inventory ↑ means cash investment exceeded expense; payables ↑ means payment lagged recognition.

13 · Ratio dashboard

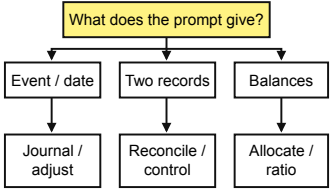
C11

QUESTION	FORMULA
Profitability	Profit margin = NI ÷ revenue; ROA = NI ÷ average assets
Liquidity	Current ratio = current assets ÷ current liabilities
Efficiency	Turnover = relevant flow ÷ average relevant asset
Leverage	Debt ratio = total liabilities ÷ total assets



Full guide + ask Sia about ACC1701B

14 · Method chooser C1–C11



Classify → compute → prove → interpret

Let the facts choose the method; chapter labels will not be supplied in mixed questions.

FACT PATTERN	ROUTE
Cash first / recognition first	Deferral / accrual adjustment
Existing allowance + aging target	Target less existing credit; add existing debit
Bank and book balances	Adjust each record to one cash amount
Units + dated costs	Ownership, cost pool, FIFO/average, reconcile
Cost + residual + life	Straight-line allocation; carrying amount
Profit + account changes	Indirect operating cash bridge
Two-period statements	Ratio family + driver + evidence limit

15 · Direction grid C2–C10

ERROR/OMISSION	ASSETS	PROFIT/E	LIAB.
Expense capitalised	↑	↑	—
Accrued expense omitted	—	↑	↓
Accrued revenue omitted	↓	↓	—
Expired prepayment omitted	↑	↑	—
Inventory ending balance overstated	↑	↑	—
Depreciation omitted	↑	↑	—
Current debt shown non-current	—	—	Total same; current ↓

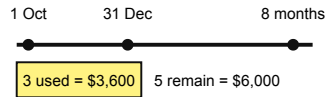
FAST CHECK Correct the **first wrong account**; every statement and ratio direction follows from it.

BALANCED-BUT-WRONG AUDIT

FAILURE	INDEPENDENT EVIDENCE/CHECK
Wrong account	Read the business purpose; compare policy, invoice and asset register.
Wrong amount	Recompute quantity × price, elapsed period or contract amount.
Wrong period	Inspect service, delivery and reporting dates; separate cash timing.
Omitted event	Trace source documents and bank records into the ledger.
Reversed entry	Restate account family, increase/decrease and normal side.

16 · Worked 1 · Adjustments C3 W3 · 1

Facts at 31 Dec: prepaid insurance \$9,600 covers 8 months from 1 Oct; customer advances \$7,200, of which \$4,500 earned; unpaid wages \$3,100; equipment \$48,000, 4-year straight-line, no residual.



$9,600 \div 8 \times 3 \text{ months} = \$3,600$ current-period insurance expense.

CALCULATION	ADJUSTMENT
Insurance: $9,600 \div 8 \times 3 = \$3,600$	Dr Insurance Expense 3,600; Cr Prepaid Insurance 3,600
Advance earned = \$4,500; unearned remains \$2,700	Dr Unearned Revenue 4,500; Cr Revenue 4,500
Unpaid wages = \$3,100	Dr Wages Expense 3,100; Cr Wages Payable 3,100
Depreciation: $48,000 \div 4 = \$12,000$	Dr Depreciation Expense 12,000; Cr Accumulated Depreciation 12,000

NET-INCOME EFFECT
Revenue +4,500 - expenses (3,600 + 3,100 + 12,000)
= **-\$14,200** net adjustment to profit.

Controls: cash absent from every entry; prepaid balance \$6,000; unearned balance \$2,700; carrying amount \$36,000 after one full year.

TRAP Do not expense the entire prepaid balance or recognise the entire customer advance. Count only the portion used or earned by reporting date.

DIRECTION PROOF

ADJUSTMENT	IF OMITTED
Insurance consumed	Asset/profit too high; retained prepaid = \$6,000
Advance earned	Liability too high; revenue too low; unearned = \$2,700
Wages accrued	Expense/L too low; profit/E too high
Depreciation	Asset/profit/E too high by \$12,000

Reverse only when it simplifies the next cash entry; a new period alone is not a reason.

17 · Close without a plug C4 W4 · 1

Revenue 74,000 - expenses 49,600 = NI 24,400
Ending RE = 31,000 + 24,400 - 5,000 = 50,400
Ending equity = 60,000 + 50,400 = 110,400

Close revenue, expenses and dividends; permanent balances remain. The three outputs above are bridge numbers, not independent recalculations.

18 · Worked 2 · Allowance C5 W5 · 1

Facts: aging schedule requires closing loss allowance \$18,700; existing allowance is a \$4,200 credit; gross receivables \$240,000.

Target \$18,700 Cr - Existing \$4,200 Cr = Adjust \$14,500

Gross \$240,000 - allowance \$18,700
= net receivables \$221,300

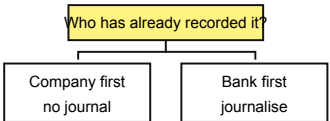
The aging target is a closing balance; expense is the \$14,500 movement to target.

ENTRY + PRESENTATION
Dr Expected Credit Loss Expense \$14,500
Cr Loss Allowance \$14,500
Net receivables = \$240,000 - \$18,700 = **\$221,300**

Why: \$4,200 is already in the contra-asset. Recording \$18,700 as expense would double-count the existing allowance. With an existing debit balance, add it to the target.

LATER EVENT	EFFECT
Specific write-off	Dr allowance; Cr receivable. Net receivables unchanged at that moment.
Recovery	Reinstate receivable first; then record Dr Cash / Cr Receivable.

19 · Bank-side decision C5



Recording history—not memorised sign lists—determines the reconciliation side.

ITEM	SIDE/SIGN	ENTRY?
Deposit in transit	Bank +	No
Outstanding cheque	Bank -	No
Bank fee / dishonoured item	Book -	Yes
Direct customer collection / interest	Book +	Yes

CONTROL Adjusted bank = adjusted books. A long-outstanding item that does not clear is no longer safely explained as ordinary timing.

COLLECTION-SPEED CHECK

Receivables turnover = net credit sales ÷ average net receivables
Collection days = 365 ÷ turnover

Faster may release cash or reflect sales-constraining terms; slower may reflect growth, disputes or deterioration. Test with aging, terms, write-offs and allowance.

CONTROL EVIDENCE

20 · Worked 3 · FIFO + NRV C7 W7 · 1

Facts: beginning inventory 100 units @ \$8; purchases 140 @ \$10 and 80 @ \$13; 230 units sold.

100 @ \$8 all sold 140 @ \$10 130 sold 80 @ \$13 remain

10 @ \$10 remain

yellow = sold · white = ending
FIFO sends the oldest 230 units to expense and leaves the newest 90 units.

COST POOL
Cost available = (100×\$8) + (140×\$10) + (80×\$13)
= \$800 + \$1,400 + \$1,040 = **\$3,240**; 320 units.

ALLOCATION
FIFO cost of sales = (100×\$8) + (130×\$10) = **\$2,180**
Ending inventory = (10×\$10) + (80×\$13) = **\$1,140**
Control: \$2,180 + \$1,140 = **\$3,240**; units 230 + 90 = 320.

NRV source check: a unit at cost \$120 with NRV \$88 is reported at **\$88**; write-down = **\$32**. Inventory, profit and equity fall \$32; cash is unchanged at adjustment.

Cost \$120 NRV \$88 Report \$88

write-down \$120 - \$88 = \$32

Recoverability caps the asset at the lower supported amount.

TRAP Resolve ownership before counting; reconcile quantities and cost before the NRV test. Do not offset one impaired item with an unrelated unrealised gain.

ALTERNATIVE ALLOCATION

Weighted-average unit cost = total cost available ÷ total units available
Then: cost of sales = units sold × average; ending inventory = units left × average.

Both methods allocate the **same total cost pool**; they change timing, not total available cost. Under rising costs, FIFO normally reports lower cost of sales and higher inventory, gross profit and equity than weighted average. A method change weakens trend comparison.

INVENTORY-ERROR LOGIC

IF ENDING INVENTORY IS OVERSTATED	DIRECTION
Cost of sales	Understated
Profit, assets, equity	Overstated by the same pre-tax amount
Later period	Error reverses if those goods are then sold

21 · Worked 4 · Debt + PPE C8 W8 · 1

Facts: 1 Jan borrowing \$120,000, repaid \$20,000 each year. Equipment invoice \$86,000; installation \$4,000; residual value \$10,000; useful life 5 years.

Current \$20k	Non-current principal \$100k
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Current + non-current = total principal \$120k

Use the repayment schedule; keep accrued interest separate from principal.

STEP	RESULT
Maturity split	Next \$20,000 principal current; remaining \$100,000 non-current, before interest.
Build cost	\$86,000 + necessary installation \$4,000 = \$90,000 .
Depreciable amount	\$90,000 - \$10,000 residual = \$80,000 .
Annual expense	$80,000 \div 5 = \$16,000$.
End-year carrying amount	$90,000 - \$16,000 = \$74,000$.



Disposal: update depreciation to sale date, then gain/(loss) = proceeds - carrying amount. Report full proceeds in investing cash flows; profit contains only the difference.

TRAP Large cash payment does not decide capitalisation. Ask whether the cost creates or prepares future service; routine repairs remain expenses.

22 · Equity rapid check C9

DRIVER	SHARE CAPITAL	RE	PROFIT
Share issue	↑	—	—
Net income	—	↑	↑
Dividend	—	↓	—
Treasury-share transaction	Remains within equity; can reduce total despite profit		

Owner funding is not operating improvement. Reconcile equity components; compare profit with operating cash.

LIABILITY/PPE DECISION CHECKS

A loan can have two maturity classes; classification changes liquidity, not total debt. Capitalise costs needed for intended use; expense routine maintenance. Revise estimates prospectively.

23 · Worked 5 · Cash bridge C10 W10 · 1

Facts: NI \$52,000; depreciation \$9,000; receivables ↑ \$7,500; inventory ↑ \$3,200; payables ↑ \$4,100; equipment-sale gain \$2,000.

Net income \$52,000
+ depreciation +9,000
- disposal gain -2,000

Working-capital changes
AR↑ -7,500 Inv↓ +3,200 AP↑ +4,100

Operating cash flow	\$58,800
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Each sign converts an accrual effect into cash generated by operations.

\$52,000 + 9,000 - 2,000 - 7,500 + 3,200 + 4,100
= **\$58,800 operating cash flow**

Depreciation is non-cash; remove the gain because full sale proceeds are investing. AR ↑ means revenue exceeded collection; inventory ↓ releases cash; AP ↑ means payment lagged recognition.

Proof: opening cash + OCF + investing CF + financing CF = ending cash.

24 · Ratio fast table C5 C7 C11



Driver first; then interpret the ratio
A ratio is evidence only after its accounting driver is identified.

MEASURE	FORMULA
Margin / ROA	NI ÷ revenue / NI ÷ average assets
Current ratio	Current assets ÷ current liabilities
AR / inventory turnover	Credit sales ÷ avg net AR / cost of sales ÷ avg inventory
Debt ratio / cash quality	Total liabilities ÷ total assets / OCF ÷ NI

COMPLETE CONCLUSION
Direction → driver → decision → evidence needed.

Use average balances for period flows. High cover may mean liquidity or idle assets; fast turnover may mean efficiency or shortage.

25 · Final traps FAQ C6

WRONG SHORTCUT	REPAIR
Cash = revenue	Check performance and counterparty.
Balanced = correct	Check account, amount, period, omission.
Dividend = expense	Distribution reduces RE, not profit.
Higher ratio = better	Name driver and alternative evidence.