ACCT1054 Financial Accountability and Reporting

RMIT UNIVERSITY · OPEN-BOOK EXAM SHEET

Full guide + ask Sia about ACCT1054

SIDE 1 · METHODS — S2 2026 · decide → schedule → entry → consequence — **HARD-COPY NOTES ONLY**

01 · Exam map

COURSE.JSON · AT3

P1 10 | P2 10 | Meeting 30% | Final exam 50%

ASSESSMENT	WEIGHT	FORMAT
Assessment 1, Part 1: In-class individual	10%	35 min; MCQ + written/calculation
Assessment 1, Part 2: In-class individual	10%	30 min; written/calculation
Assessment 2: Simulated workplace meeting	30%	Group video, 12 min max + peer evaluation
Assessment 3: Final exam	50%	2 h + 15 min reading

"Open-book exam, but only hard copy notes permitted" (Assessment Task 3: Final Exam page, ACCT1054 Semester 2 2026 (RMIT Canvas))

WHAT VISIBLE WORKING EARNS

1	State the recognition/classification decision and controlling date.
2	Write the relationship before numbers; label units and rates.
3	Reconcile opening + movements = closing.
4	Give the journal or statement consequence requested.

SIA → *During reading time tag each requirement: explanation, calculation, schedule or journal entry.*

02 · Materiality

CH 1 · DECISION PATH

Omit misstate → Size + nature + context user decision? → Correct disclose

Name the user and decision; a percentage informs size but never settles materiality.

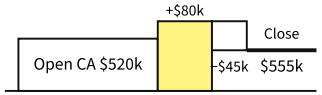
PROMPT	REQUIRED FINISH
Explain	Framework → fact → influence → action
Account for	Recognition + measurement + presentation/disclosure + entries as facts require
Small amount	Still test trend, profit/loss sign, covenant or sensitive fact
Authority	Reporting duty → applicable standard → scenario application → report consequence.
Materiality	Ask whether omitted, misstated or obscured information could influence a user's decision.
Benchmark	Evidence about size only; test nature, context, trends, covenants and sensitive facts.
Disclosure	Communicate policies, judgements, risks and details not captured on statement faces.
Conclusion	State correct, recognise, disclose or aggregate, and the specific statement or note change.

03 · Asset measurement

CH 2 · TIMELINE

EXAM SEQUENCE

```
Recognised cost → depreciation to date → pre-event CA → compare → closing CA
```



Source bridge: $520k + $80k revaluation − $45k impairment = $555k.

IMPAIRMENT

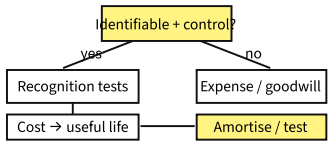
```
Recoverable amount (RA) = higher of VIU and FVLCD
Loss = max(0, pre-test CA - RA)
```

DECISION	RULE / DESTINATION
Initial cost	Include directly attributable amounts; keep later expenditure separate.
Revaluation ↓	Profit or loss, except available asset-specific surplus absorbs it.
Impairment	Post current depreciation first; compare current CA with RA.
Later reversal	Ceiling = carrying amount that would exist without impairment.
After movement	Revised CA becomes future depreciation base over remaining life.

Chronology controls the proof. Never compare recoverable amount with original cost after depreciation.

04 · Intangibles

CH 3 · RECOGNITION



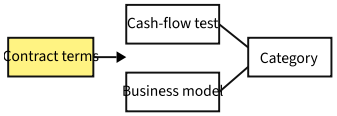
Separability or contractual/legal rights establishes identifiability; recognition precedes life.

ROUTE	RECOGNITION	AFTER RECOGNITION
Purchased	Recognise at cost.	Amortise from available-for-use date if finite.
Research	Expense as incurred.	Never reinstate because project later succeeds.
Development	Capitalise prospectively only after every criterion is demonstrated.	Do not amortise while unfinished; review impairment indicators.
Finite life	Systematic amortisation.	Test impairment when indicated.
Indefinite life	No amortisation.	Annual impairment test + annual life review.

THREE CLOCKS → *recognition date · available-for-use date · reporting date.*

05 · Financial instruments

CH 4 · SUBSTANCE



Classify from contractual substance and portfolio management, not the product label.

QUESTION	EXAM RULE
Asset, liability or equity?	Use issuer/holder perspective and unavoidable contractual cash obligation.
Coupon cash?	Face value × contractual coupon rate.
Interest?	Opening amortised cost × effective yield.
Premium direction?	Cash > effective interest → CA falls toward repayment.
Discount direction?	Effective interest > cash → CA rises toward repayment.

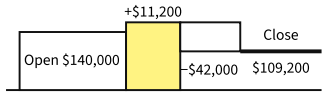
AMORTISED-COST ROW

```
Closing CA = opening CA + effective interest - cash
Amortisation = |effective interest - cash|
```

Keep contractual cash, effective interest and any credit-loss allowance in separate columns. Maturity is the direction check.

06 · Leases

CH 5 · TWO SCHEDULES



The liability adds effective interest and subtracts cash; cash is not one lease expense.

STAGE	LIABILITY	ROU ASSET
Start	PV of unpaid qualifying payments.	Liability adjusted for commencement payments, incentives, direct costs and restoration.
Later	Open + interest − cash.	Cost − depreciation − impairment.
Advance	Payment reduces balance before interest.	Payment may enter initial asset.
Arrears	Interest accrues before period-end payment.	Depreciation stays separate.

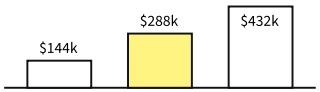
ROW

```
Interest = opening liability × effective rate
Principal reduction = cash - interest
Closing liability = opening + interest - cash
```

First prove identified asset + economic benefits + decision rights. Label payment timing before discounting.

07 · Share-based payment

CH 6 · CUMULATIVE



Each reporting date recomputes required cumulative expense; the annual charge is the catch-up.

REQUIRED CUMULATIVE EXPENSE

```
Expected vesting units × applicable FV × elapsed service fraction
Current expense = required cumulative - already recognised
```

SETTLEMENT	MEASUREMENT	CREDIT
Equity-settled employee award	Keep grant-date fair value; revise permitted vesting-unit estimates.	Equity reserve
Cash-settled	Remeasure current fair value at each reporting date and settlement.	Liability

CONDITION	WHERE IT BITES
Service / non-market	Expected units and catch-up.
Market	Embedded in grant-date fair value; do not replace FV later.

Do not start from last year's expense. Start from the revised cumulative requirement.

08 · Income tax

CH 7 · REVERSAL LOGIC

CA $260k asset — difference $70k — Tax base $190k

30% → DTL $21k

For the source asset, CA exceeds tax base: $70k taxable difference × 30% = $21k DTL.

STEP	QUESTION
1 Tax base	Asset: deduction remaining on recovery? Liability: deduction arising on settlement?
2 Direction	Will recovery/settlement create future taxable or deductible amounts?
3 Measure	Temporary difference × supplied enacted/substantively enacted rate.
4 Recognise	Assess DTA evidence separately; permanent differences never create deferred tax.
5 Destination	Follow underlying item to profit/loss, OCI or equity.

DO NOT COLLAPSE SCHEDULES

```
Current tax starts from taxable income.
Deferred tax starts from CA and tax base.
```

Direction before multiplication. A calculated deductible difference alone does not prove DTA recognition.

09 · Control + goodwill

CH 8 · ACQUISITION DATE

CONTROL LIMB	EVIDENCE TO STATE
Power	Current substantive right directing relevant activities.
Returns	Exposure or rights to variable returns.
Linkage	Ability to use power to affect those returns.

Majority voting rights often support control but do not replace all three limbs. Separate protective vetoes from substantive decision rights.

Consideration $920k − Adj. net assets $1,250−410k $840k net = Goodwill $80k

Measure acquisition-date identifiable net assets first; goodwill is the residual.

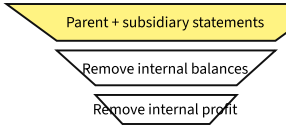
SIMPLIFIED GOODWILL

```
Consideration - adjusted identifiable net assets = goodwill
```

BEFORE RESIDUAL	AFTER RESIDUAL
List book amounts, fair-value adjustments, new identifiable assets and liabilities, and supplied tax effects.	Positive residual → goodwill. Negative preliminary residual → reassess all inputs before any bargain-purchase gain.
Keep pre-acquisition equity on acquisition date.	Later fair-value depreciation/amortisation affects group results, not original goodwill.

10 · Consolidation

CH 9 · OUTSIDER TEST



Consolidated statements report one entity: internal balances and results disappear.

ORDER	WORKSHEET ACTION
1	Acquisition entries; investment/equity elimination.
2	Reconcile cash/goods in transit, then eliminate matched reciprocal balances.
3	Eliminate internal income/expense, sales/purchases and dividends.
4	Remove profit still inside inventory or transferred assets.
5	Recognise tax effect after consolidated CA adjustment.

INVENTORY

```
Internal profit = transfer price - original group cost
Unrealised profit = internal profit × fraction still held
```

11 · Associates

CH 10 · ONE-LINE METHOD

INFLUENCE EVIDENCE	MEANING
Board representation; policy participation; material transactions; management interchange; technical dependence	Participation without control or joint control. Voting percentage is evidence, not the only test.

Open $420k + Profit share $54k − $18k − $6k

Close $450k

Equity-method bridge: profit/OCI increase the investment; dividends and adjustments reduce it.

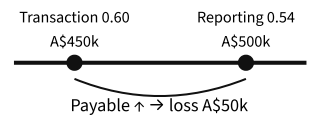
ROLL-FORWARD

```
Close = open + share of adjusted profit + share of OCI - dividends - required adjustments
```

MOVEMENT	WHY
Profit share	Income + investment increase.
Dividend	Cash recovery reduces investment; no second income stream.
Fair-value differences	Adjust associate result before applying share as facts require.
Losses	Stop at interest floor unless further obligations/payments exist.
Impairment	Test investment as a whole after equity method.

12 · Foreign currency

CH 11 · UNITS FIRST



Source timeline: a fixed FC270k liability rises in A$ terms and creates an exchange loss.

ITEM	REPORTING-DATE RATE
Cash, receivable, payable, loan	Monetary → closing rate.
Historical-cost non-monetary item	Keep rate from measurement date.
Fair-value non-monetary item	Rate at fair-value measurement date; follow FV presentation.

WHEN QUOTE IS A$1 = FC R

```
A$ amount = FC amount ÷ r
```

FUNCTIONAL AMOUNT RISES	RESULT
Receivable asset	Exchange gain
Payable liability	Exchange loss

Write currency units as a fraction and cancel them. Translate first, classify asset/liability second, then name gain/loss. Never memorise multiply or divide without the quote.

ACCT1054 Worked Calculations, Traps & Fast Recall

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Full guide + ask Sia about ACCT1054

SIDE 2 · DRILLS

Five worked methods · keep every line auditable

NUMBERS FROM THE GUIDE

W1 · Asset impairment

CH 2 WORKED EXAMPLE

Given: machine cost $504,000; six-year life; year-end RA $392,000.

Cost $504k − Deprec. $84k = Pre-test CA $420k

RA $392k → loss ~~$28k~~

Depreciation precedes the RA comparison: chronology fixes the measurement.

STEP	WORKING	RESULT
1	$504,000 ÷ 6	Depreciation $84,000
2	$504,000 − $84,000	Pre-test CA $420,000
3	$420,000 − $392,000	Impairment $28,000
4	CA after loss = RA	Close $392,000

ENTRY PATTERN

```
Dr depreciation expense 84,000 · Cr
accumulated depreciation 84,000
Dr impairment loss 28,000 · Cr
asset/accumulated impairment 28,000
```

TRAP → *Comparing $504,000 cost directly with RA overstates the loss.*

Fast recall · assets/intangibles

CH 2–3

IF FACTS SAY...	DO THIS
VIU $276k; FVLCD $284k; pre-test CA $310k	RA is $284k; loss $26k; close $284k.
Research $40k; post-criteria development $110k; unfinished	Expense $40k; recognise $110k; no amortisation yet.
Prior asset-specific surplus	Check it before sending a decrease wholly to profit/loss.
Indefinite life	No amortisation; annual impairment test and life review.

Recognition date ≠ available-for-use date. A recognised unfinished asset can exist before amortisation begins.

DESTINATION AND CEILING CHECKS

MOVEMENT	DESTINATION / LIMIT
Revaluation increase	OCI/revaluation surplus, except reversal of a prior decrease recognised in profit or loss.
Revaluation decrease	Profit or loss, except to available asset-specific surplus.
Impairment reversal	Do not exceed the no-impairment carrying amount.
CGU loss	Keep goodwill inside the unit test and observe individual-asset floors.
Later depreciation	Use revised carrying amount and remaining useful life.

INTANGIBLE PROOF LINE

```
Identify resource → show
control/benefits/measurement → classify
purchased, research or development →
mark availability date → select
finite/indefinite path.
```

W2 · Bond premium

CH 4 WORKED EXAMPLE

Given: opening bond $1,060,000; cash $80,000; effective yield 6%; repayment amount $1,000,000.

Open $1.060m + 6% interest $63.6k − $80k

Close CA = $1.0436m

Effective interest uses opening CA; coupon cash is separate.

STEP	CALCULATION
Interest	$1,060,000 × 6% = $63,600
Cash	$80,000
Premium used	$80,000 − $63,600 = $16,400
Close	$1,060,000 + $63,600 − $80,000 = **$1,043,600**

Direction proof: premium falls toward $1,000,000 because cash exceeds effective interest.

W3 · Lease row

COURSE WORKED EXAMPLE

Given: opening liability $150,000; 8% interest; $44,000 year-end payment.

Open $150k + 8% interest $12k − $44k

Close = $118k

Year-end payment means interest accrues before cash is deducted.

INTEREST	$150,000 × 8% = $12,000
PRINCIPAL	$44,000 − $12,000 = $32,000
CLOSE	$150,000 + $12,000 − $44,000 = **$118,000**

ENTRY PATTERN

```
Dr interest expense 12,000 · Dr lease
liability 32,000 · Cr cash 44,000
```

TRAP → *Cash is neither all expense nor all principal; do not deduct it twice.*

BOND + LEASE DIRECTION GRID

OBSERVED FACT	EXPECTED MOVEMENT
Bond premium	Cash coupon > effective interest; carrying amount falls toward face value.
Bond discount	Effective interest > cash coupon; carrying amount rises toward face value.
Lease in arrears	Interest on opening balance, then deduct period-end cash.
Lease in advance	Deduct commencement cash before interest accrues.
ROU asset	Depreciation/impairment path is separate from liability interest/cash path.

For either financing schedule, carry full precision until the displayed row and prove the final balance independently. A liability schedule moving away from its contractual endpoint signals a sign, rate or timing error.

Share-payment drill

CH 6

Required cum. $380k − Recognised $184k = Current $196k

Source catch-up: $380k required cumulative − $184k already recognised = $196k current expense.

AUDIT LINE	CHECK
Settlement	Equity instruments or cash based on share value?
Fair-value date	Grant-date locked for employee equity settlement; current FV for cash settlement.
Units	Revise service/non-market vesting estimates as permitted.
Fraction	Elapsed service ÷ vesting period.
Annual charge	Cumulative required less opening recognised.
Credit	Equity reserve or liability, matching classification.

TRAP → *$196k is the current movement, not the new cumulative balance.*

Tax direction drill

CH 7

Taxable difference $60k × 30% DTL $18k

Deductible difference $50k × 30% DTA $15k

Future consequence fixes the sign

Source pair: taxable gives $18k DTL; deductible gives $15k DTA.

WRONG SHORTCUT	CORRECTION
CA > TB always means DTL	Asset/liability and future consequence matter; liabilities often reverse the pattern.
Every difference × rate	Permanent differences never enter deferred tax.
Every DTA calculated is recognised	Assess evidence of future taxable profit.
All tax to profit/loss	Follow underlying item to profit/loss, OCI or equity.

WRITE THE SENTENCE

```
"Recovery/settlement creates future
taxable/deductible amounts of ___;
therefore DTL/DTA = ___ × rate."
```

TWO SCHEDULES, NEVER ONE NET PLUG

CURRENT TAX	DEFERRED TAX
Accounting profit → tax-law adjustments → taxable income → current tax.	Item → carrying amount → tax base → temporary difference → tax effect → destination.
Permanent differences belong in the reconciliation.	Opening balance + new differences − reversals ± rate change = close.
Ends at current payable/receivable.	Ends at temporary differences outstanding at reporting date.

Goodwill drill

CH 8

Consideration $1.480m − Adjusted net assets $1.380m = GW $100k

Source residual: $1.480m − $1.380m adjusted identifiable net assets = $100k goodwill.

ACQUISITION-DATE CHECKLIST	DO NOT
Prove control and mark acquisition date.	Infer control from ownership label alone.
Adjust identifiable assets/liabilities to required amounts.	Copy subsidiary book equity into goodwill.
Include new identifiable items and supplied tax effects.	Hide skipped identifiable items in goodwill.
Reassess a negative preliminary residual.	Book a bargain gain automatically.
Carry later FV depreciation into group profit.	Reopen acquisition-date goodwill.

Identification precedes residual calculation.

Associate drill

CH 10

Open $600k + Profit share $66k − $18k

Close = $648k

Source bridge: opening $600k + $66k adjusted profit share − $18k dividends = $648k.

STEP	FAST CHECK
Method?	First conclude significant influence from full evidence.
Profit/OCI?	Add investor share of adjusted movements.
Dividend?	Subtract from investment; it is not fresh income.
Unrealised result?	Remove only investor's required share from supplied facts.
Loss floor?	Stop unless further obligation/payment extends interest.

TRAP → *Dividends as income double-count profit already recognised through the equity method.*

RELATIONSHIP DECIDES THE MODEL

RELATIONSHIP	ACCOUNTING FRAME
Control	Combine line items; eliminate investment/equity and all internal effects.
Significant influence	One-line investment and share of adjusted result; no line-by-line consolidation.
Passive holding	Do not force the equity method without participation evidence.

ASSOCIATE ENTRY PATTERN

```
Profit share: Dr investment · Cr share
of profit
Dividend: Dr cash · Cr investment
```

W4 · Inventory elimination

CH 9 WORKED EXAMPLE

Given: internal sale $240,000; original group cost $180,000; 30% remains; tax rate 30%.

Sale $240k − Cost $180k = Profit $60k

× 30% held = $18k

tax effect $5.4k

Only internal profit in the unsold fraction is unrealised.

STEP	CALCULATION / EFFECT
1 Internal profit	$240,000 − $180,000 = $60,000
2 Still internal	$60,000 × 30% = **$18,000**
3 Group correction	Reduce closing inventory and pre-tax group profit $18,000.
4 Tax	$18,000 × 30% = **$5,400** tax effect.

WORKSHEET EFFECTS

```
Eliminate internal sales/purchases
240,000.
Increase group cost of sales and reduce
inventory 18,000.
Then record the applicable tax effect
5,400.
```

TRAP → *30% × $240,000 is stock at transfer price, not unrealised profit.*

Elimination sequence

CH 9 · ONE ENTITY

1 acquisition / investment-equity

2 reconcile → eliminate reciprocals

3 internal income/expense + dividends

4 asset profit → 5 tax effect

Resolve timing differences before eliminating; never plug unequal reciprocal balances.

ASSET TRANSFERRED	GROUP BENCHMARK
Inventory	Original group cost until outsider sale.
Depreciable asset	Seller's pre-transfer CA and remaining life; remove gain and excess depreciation over time.
Later outsider sale	Internal profit becomes realised; reverse opening adjustment as appropriate.

RECIPROCAL AND TAX AUDIT

MISMATCH / EFFECT	RESPONSE
Receivable ≠ payable	Locate cash in transit, goods in transit or timing error in the legal entity first; eliminate only matched balances.
Internal loan	Match principal, accrued interest, interest income and interest expense.
Internal dividend	Remove group income and any payable/receivable; preserve amounts to outside owners.
Tax effect	Apply rate to the consolidated temporary difference, not the transfer price.

W5 · Foreign payable

CH 11 WORKED EXAMPLE

Given: FC240,000 payable; initially A$1 = FC0.80; year-end A$1 = FC0.75.

FC240k ÷ 0.80 A$300k — FC240k ÷ 0.75 A$320k

Liability +A$20k → loss

The foreign amount stays fixed; the functional-currency obligation changes.

STEP	WORKING
Initial recognition	FC240,000 ÷ 0.80 FC/A$ = A$300,000
Closing payable	FC240,000 ÷ 0.75 FC/A$ = A$320,000
Movement	A$320,000 − A$300,000 = A$20,000 increase
Result	Payable liability rises → **A$20,000 exchange loss**

ENTRY

```
Dr exchange loss 20,000 · Cr payable
20,000
```

The inventory stays at its A$300,000 historical-cost translation; the monetary payable is retranslated. Do not move both balances.

Method chooser

ALL FINAL TOPICS

FACT PATTERN	OPEN WITH	DIRECTION CHECK
Asset value fell	Depreciate → RA = higher route → compare	Close at RA if impaired
Bond coupon/yield differ	Effective-interest roll-forward	Converge to repayment
Lease payment	Timing + liability and ROU schedules	Liability to terminal amount
Award over service	Settlement + cumulative expense	Current = cumulative − prior
CA vs tax base	Future taxable/deductible sentence	Underlying destination
Entity relationship	Control vs significant influence	Consolidate vs one-line investment
Internal transaction	Outsider test	No internal remnant
Foreign amount	Quote units + monetary test	Asset ↑ gain; liability ↑ loss

FINAL 60-SECOND AUDIT
Date and perspective labelled?
Rate applied to the correct opening base?
Movement sign agrees with economic direction?
Closing balance reconciles independently?
Requested entry and reporting consequence stated?

SIA → *Decision → relationship → labelled substitution → closing proof → consequence.*