ACCT90004 Accounting for Decision Making

UNIVERSITY OF MELBOURNE · POSTGRADUATE · SEMESTER 2 2026

Full guide + ask Sia about ACCT90004

SIDE 1/2 CLOSED-BOOK MEMORY SHEET · recite the rule → apply the method → check the second effect MEMORISE · DO NOT CARRY definitions · formulas · decisions · comparisons

0 · Exam Map

COURSE.JSON · EXAM ADMIN

P10 | SW15 | G15 | END-OF-SEMESTER EXAM 60%

Weights: In-class participation 10% · Individual software assignment 15% · Group assignment 15% · End-of-semester examination 60%.

"Not open book, cannot bring in material other than the below." *ACCT90004 2026 Semester 2 exam admin slides (PDFRAW_Exam_admin_3.txt)*

The final is an individual three-hour closed-book on-campus digital examination during the examination period; **not a hurdle**. The 60% weight makes calculation, journals and qualitative advice the revision priority.

1 · Classify Before You Journal

W1 · FINAL CORE

ASSET — LIABILITY — EQUITY

INCOME ↑E EXPENSE ↓E

Element map: assets = liabilities + equity; income and expenses move equity.

ELEMENT	RECITABLE TEST
Asset	Present economic resource controlled because of past events.
Liability	Present obligation to transfer an economic resource because of past events.
Equity	Residual interest after deducting liabilities.
Income	Asset ↑ or liability ↓ that raises equity, excluding owner contributions.
Expense	Asset ↓ or liability ↑ that reduces equity, excluding owner distributions.

CLASSIFICATION SCRIPT

```
Past event → present resource/obligation? → element → ↑/↓ → account → decision consequence.
```

Receiving cash ≠ income. It may be advance consideration, borrowing or owner funding. Recognition follows the economic event, not the bank movement.

CASH INFLOW CLUE	LIKELY SECOND EFFECT
Customer before delivery	Contract liability; equity unchanged.
Lender advances funds	Loan liability; no income.
Owner buys shares	Share capital; no income.
Customer after performance	Revenue or receivable settlement, according to the earlier event.

Two independent checks: does the equation balance, and does the entry faithfully describe the resource, obligation or performance? Passing the first never substitutes for the second.

2 · Double Entry from Direction

W2 · JOURNALS

DR ↑ A + EXP — CR ↑ L + E + INC

Debit-increase side versus credit-increase side; every entry keeps total Dr = Cr.

ELEMENT	INCREASE	DECREASE	NORMAL
Asset	Dr	Cr	Dr
Expense	Dr	Cr	Dr
Liability	Cr	Dr	Cr
Equity	Cr	Dr	Cr
Income	Cr	Dr	Cr

FOUR-STAGE JOURNAL

```
1 recognition date · 2 affected elements · 3 direction · 4 debit/credit. Then narrate the equation effect.
```

Do not memorise the journal first. Classify both effects, post once, carry opening balance + movements to closing balance, then cross-check the equation.

2b · Cash Timing ≠ Recognition

W2 + W4

CASH FIRST prepaid asset — CONSUMED expense now — CASH LATER accrual

Anchor to performance or consumption.

Timing path: cash before creates an asset; cash after leaves a liability.

TIMING	REPORTING-DATE POSITION	LATER MOVE
Cash before benefit	Prepayment asset	Dr expense; Cr prepayment as consumed
Benefit before cash	Accrued liability + expense	Dr liability; Cr cash on settlement
Cash before performance	Contract liability	Recognise revenue as promise is satisfied
Performance before billing	Accrued revenue	Move to receivable when billed

2c · Trial Balance: Power + Limit

W2 · ERROR MARKS

```
Total debit balances = total credit balances
```

Detects: one-sided posting, unequal amount, some transpositions. **Does not detect:** omission, double posting, wrong account, wrong period, or a complete equal but incorrect entry.

3 · AASB 15: Fixed Sequence

W3 · ALLOCATION + TIMING

1 Contract — 2 Distinct — 3 Price — 4 Allocate — 5 Recogn.

Allocate first; recognise on transfer.

AASB 15: contract → obligations → price → allocate → recognise.

STEP	QUESTION TO ANSWER
1 Contract	Are approval, rights, payment terms, commercial substance and collectability supported?
2 Obligations	Can customer benefit, and is the promise separately identifiable?
3 Price	What consideration is expected, including supplied variable/return facts?
4 Allocate	Relative stand-alone selling-price proportion.
5 Recognise	When does control transfer / each promise become satisfied?

BUNDLE ALLOCATION

```
Allocated price_i = transaction price × stand-alone price_i ÷ total stand-alone prices
```

Distinct? The customer can benefit from it and the promise is separately identifiable. Strong integration, significant modification or high interdependence may combine inputs.

3b · Which Revenue Balance?

W3 · DATE LOGIC

FACT AT REPORTING DATE	BALANCE
Earned + billed; cash later	Accounts receivable
Earned; not yet billed	Accrued revenue
Cash / right to cash before performance	Contract liability
Promise satisfied	Revenue for allocated amount

CONTRACT-LIABILITY CHECK

```
Opening liability + new advance consideration - revenue recognised = closing liability
```

Returns: estimate consideration expected to remain, recognise the related refund obligation and the right to recover returned inventory where applicable; update estimates when evidence changes.

4 · Expense + Doubtful Debts

W4

Expense timing: measure what was consumed or what obligation arose in the reporting period; preserve future benefit as an asset.

```
Closing prepayment = opening prepayment + cash paid - expense consumed
Closing accrual = opening liability + expense - cash paid
```

DECISION	RULE
Capitalise	Obtains or improves a controlled resource with future benefits; cost measurable.
Expense	Routine repair maintains current condition.

5 · Inventory: Units, Then Dollars

W5 · RECONCILIATION

Opening units — + receipts + returns — − sales − losses — Closing units

Quantity × unit cost = ledger target.

Inventory bridge: prove physical quantity before applying cost.

```
Opening units + purchases/production + customer returns - units sold - other outflows = closing units
```

Build three linked schedules: **quantity** (movement), **cost** (COGS + closing inventory), **decision** (revenue, gross profit, margin by price/channel). Reconcile source records, inventory reports and physical count; do not post a plug before investigating cut-off, damage, errors or loss.

5b · Margin ≠ Markup

W5 · DENOMINATOR TRAP

MEASURE	FORMULA	DENOMINATOR
Gross profit	Revenue − COGS	Dollar amount
Gross margin	Gross profit ÷ revenue	Sales revenue
Markup	Gross profit ÷ inventory cost	Cost

```
Discounted price = original price × (1 - discount %)
New unit GP = discounted price - unit cost
```

A discount lowers profit per unit if cost is unchanged; total profit still depends on volume and other channel costs. State the new margin, the volume implication and the evidence needed—returns, fulfilment cost, ageing, counts—without assuming demand.

6 · PPE: Carrying-Amount Logic

W6 · FULL LIFE CYCLE

Cost — Depreciate — Loss test — Revalue

Keep each accounting decision separate.

PPE timeline: cost, consumption, recoverability evidence, later measurement.

```
Depreciable amount = cost (or substituted amount) - residual value
Straight-line depreciation = depreciable amount ÷ useful life
Carrying amount = cost - accumulated depreciation - other supported adjustments
```

7 · Liabilities: Split the Cash

W7 · TAX + LOANS

GST	collect / claim	net settle
PAYGW	tax held	remit
PAYGI	prepay tax	offset
LOAN	borrow	princ. + int.

Liability lanes: similar cash payments can reduce very different balances.

CASH ITEM	CLASSIFICATION RULE
GST collected	Liability for tax collected; separate from revenue. Offset eligible input GST supplied.
PAYGW	Amount withheld for the authority; liability until remitted.
PAYGI	Instalment toward entity income tax; distinguish prepayment/receivable from expense treatment supported by facts.
Loan payment	Interest is borrowing expense; principal settles liability.

```
Interest = opening principal × periodic rate
Principal reduction = cash payment - interest
Closing principal = opening principal - principal reduction
```

Loan check: payment = interest + principal reduction; next period begins with the new principal. Borrowing proceeds create cash + liability, not income.

LIABILITY TEST	RESPONSE
Obligation exists?	Name past event + counterparty.
When due?	Use supplied settlement timing.
Cash settles what?	Split expense, principal and pass-through amount.
What remains?	Reconcile closing components.

8 · Equity Boundaries

W8 · OWNER CAPACITY

Opening retained + Profit − Divi-dends = Closing retained

Owner contributions stay in share capital.

Retained-earnings roll-forward; distributions are not operating expenses.

```
Closing retained earnings = opening retained earnings + profit - distributions affecting retained earnings
```

EVENT	EFFECT
Share issue	Cash ↑; share capital ↑; no income.
Profit	Income − expenses flows into retained earnings.
Cash dividend declaration	Retained earnings ↓; dividend payable ↑.

9 · Cash Flow: Event First

W10 · DIRECT METHOD

Opening cash — Operating ± cash — Investing ± cash — Financing ± cash

Signed sections → closing cash.

Cash waterfall: classify the cause, preserve sign, reconcile the balance.

SECTION	WHAT BELONGS	CLASSIC TRAP
Operating	Principal revenue-producing cash receipts/payments.	Credit revenue is not a cash receipt.
Investing	Acquire/dispose of long-term resources and investments.	Depreciation is not a cash payment.
Financing	Changes borrowings or owner funding.	Loan proceeds are not operating strength.

```
Closing cash = opening cash + net operating + net investing + net financing
```

Repair: test cash movement → correct sign/section → recompute → reconcile. Judge liquidity from operating cash, obligations and funding—not profit alone.

10 · Integrated Case Chain

W9 · MIXED FINAL

DATES · AMOUNTS · PARTIES · EVIDENCE

ACCOUNT EFFECTS · CONTROLS

SUPPORTED ADVICE

Evidence funnel: case facts narrow through accounting analysis to defensible advice.

CASE CONTROL SHEET

```
Date · evidence · recognition issue · debit · credit · statement effect · unresolved assumption
```

1. Read outputs; mark dates, amounts, tax basis and documents.
2. Number facts; process once; carry corrected balances forward.
3. For inventory sales, test customer/revenue and COGS/inventory.
4. Cross-cast; write **evidence → consequence → action**.

ERROR	QUESTION
Timing	Which period event controls?
Direction	Which element rises/falls?
Second effect	What physical/financial side remains?
Advice	Which fact or calculation proves it?

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SIDE 2/2 SELF-TEST DRILLS · say the rule aloud → show the path → explain the second effect

5 WORKED CHECKS

judgement cards · traps · exam-morning plan

12 · Worked 1 – Deposit ≠ Revenue

W1 · $4,000

Prompt: Customer pays $4,000 before any service is delivered. Classify the receipt and show the equation effect.

PATH	ANSWER
1 Resource	Cash increases $4,000 → assets ↑ $4,000.
2 Obligation	Undelivered service creates a present obligation → liabilities ↑ $4,000.
3 Performance?	None yet → no income; equity unchanged.
Journal	Dr Cash $4,000; Cr Contract Liability $4,000.

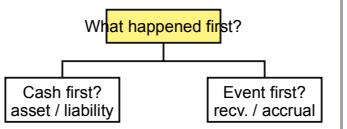
ANSWER CHECK

A +4,000 = L +4,000 + E 0

Say aloud: receipt is not earning; classify the remaining promise.

12b · Timing Decision Card

W2 + W4



Timing chooser: cash date never substitutes for performance or consumption.

IF YOU SEE...	DO THIS
Service used; invoice/cash later	Dr expense; Cr accrued liability.
Annual payment; months remain	Expense consumed portion; retain prepayment.
Work complete; invoice later	Recognise accrued revenue.
Deposit; promise outstanding	Recognise contract liability.

12c · Double-Entry Self-Test

W2

Cover the right column and recite: element → direction → Dr/Cr → second effect.

FACT	EXPECTED DIRECTION
Expense incurred, unpaid	Expense Dr ↑; liability Cr ↑
Owner contributes cash	Cash Dr ↑; share capital Cr ↑
Pay supplier payable	Payable Dr ↓; cash Cr ↓
Earned sale on account	Receivable Dr ↑; revenue Cr ↑

TRAP AUDIT → *Equal sides do not clear wrong date, wrong account, duplicate entry or omission.*

12d · Explain the Direction

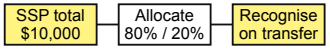
W1–2 · ORAL RECALL

For each row, give a two-sentence answer: first apply the element definition; then state profit, asset or liability direction.

13 · Worked 2 – Bundle Allocation

W3 · $9,000

Prompt: Equipment + support sell together for $9,000; stand-alone prices are $8,000 and $2,000. Only equipment transfers.



$7,200 equipment · $1,800 support deferred

Allocation and timing are separate decisions.

STEP	WORKING
Total SSP	$8,000 + $2,000 = $10,000.
Equipment	$9,000 × 80% = **$7,200**.
Support	$9,000 × 20% = **$1,800**.
Timing	Recognise $7,200 at equipment transfer; defer $1,800 until support is provided.

Check: $7,200 + $1,800 = $9,000 transaction price.

13b · AASB 15 Trap Deck

W3 · JUDGEMENT

TEMPTING CUE	CORRECT RESPONSE
"Cash received"	Ask what remains owed; cash is not the recognition test.
"Invoice issued"	Separate billing from performance.
"Bundle delivered partly"	Allocate first; recognise only satisfied allocation.
"Setup activity"	Test whether customer benefits and promise is separately identifiable.
"Expected return"	Estimate remaining consideration + refund obligation + recovery right where applicable.

ORAL SEQUENCE

Contract? → promises? → price? → relative SSP allocation? → transfer date for each?

EXAM MOVE → *Put invoice, cash and performance on separate dates before writing a journal.*

13c · Expense Roll-Forward Card

W4

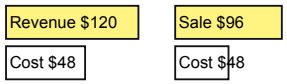
OPENING + MOVEMENT	CLOSING TEST
Prepayment + cash − consumed expense	Future service asset
Accrued liability + expense − cash	Unpaid obligation
Gross receivable − allowance	Net recoverable carrying amount

Allowance trap: if a specific receivable was already covered, the later write-off reduces receivable and allowance; do not recognise the expected loss twice.

14 · Worked 3 – Margin After Sale

W5 · $48/$120

Prompt: Cost $48, normal selling price $120, both excluding GST. A 20% sale leaves cost unchanged.



Margin 60% → 50%
Unit profit $72 → $48

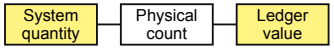
Discount visual: revenue shrinks while unchanged cost consumes more of each sale dollar.

PATH	NORMAL	SALE
Revenue	$120	$120 × 80% = $96
Gross profit	$120 − $48 = $72	$96 − $48 = $48
Gross margin	$72 ÷ $120 = **60%**	$48 ÷ $96 = **50%**

Answer: gross margin falls 10 percentage points. Do not call the 60% figure markup.

14b · Inventory Difference Drill

W5 · EVIDENCE



Investigate documents + cut-off
then correct the supported cause.

Three evidence bases must be reconciled; a difference is not its own cause.

IF YOU SEE X	DO Y
System ≠ physical	Check receipts, sales, returns, damage, loss and count controls.
System ≠ ledger	Trace supplier invoices, integrations, journals and timestamps.
Near year end	Test goods-received and sales cut-off.
Margin changed	Separate price, cost, volume and channel costs; request evidence.

Quantity target first → verified quantity × verified unit cost → accounting balance

14c · Margin Traps

W5

- **Wrong denominator:** margin uses revenue; markup uses cost.
- **GST basis:** compare on the stated inclusive/exclusive basis.
- **Discount conclusion:** per-unit GP falls; total GP needs volume and other costs.
- **Shrinkage claim:** a discrepancy suggests investigation, not automatic theft.

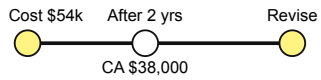
WHEN VOLUME IS SUPPLIED OR REQUESTED

Units needed to preserve total gross profit = original total gross profit ÷ new unit gross profit

15 · Worked 4 – Revised Depreciation

W6 · $54,000

Prompt: Equipment cost $54,000; residual $6,000; six-year life. After two years, remaining life becomes three years and residual becomes $3,000.



Revised base = current CA.

Estimate revision is prospective; prior charges are not silently rewritten.

STEP	WORKING
Original annual	($54,000 − $6,000) ÷ 6 = **$8,000**.
After two years	$54,000 − $16,000 = **$38,000** carrying amount.
Revised base	$38,000 − $3,000 = **$35,000**.
Year three	$35,000 ÷ 3 = **$11,666.67**.

Answer: recognise year-three depreciation of $11,666.67 prospectively.

15b · PPE Boundary Cards

W6

IF YOU SEE...	DO THIS
Purchase + necessary preparation	Build supported initial cost.
Routine maintenance	Expense current-period consumption.
Improved future benefit	Test capitalisation; do not rely on invoice label.
New life/residual estimate	Current carrying amount; prospective allocation.
Possible impairment / price rise	Separate indicator from measured adjustment; require evidence.

REGISTER CONTROL

Opening cost + qualifying additions - cost disposed ± supported measurement change = closing cost
Opening accum. dep. + charge - amount removed = closing accum. dep.

15c · Loan / Tax Quick Test

W7

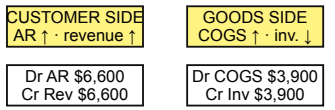
STATEMENT	VERDICT
"Whole loan payment is expense."	**Wrong:** split interest from principal.
"GST collected is revenue."	**Wrong:** hold separately for the authority.
"Withholding reduces wage expense."	**Wrong:** gross expense splits to net cash + liability.
"Borrowing increases profit."	**Wrong:** cash + loan liability.

SCHEDULE → *Opening principal → interest → payment → principal reduction → closing principal; recalculate from the new opening amount each period.*

16 · Worked 5 – Omitted Inventory Sale

W9 · $6,600/$3,900

Prompt: A $6,600 credit sale excluding GST was omitted. Inventory sold cost $3,900. Ignore GST.



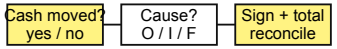
An inventory sale usually has both a financial side and a physical-cost side.

CORRECTION	EFFECT
Dr Accounts Receivable $6,600 Cr Sales Revenue $6,600	Receivables ↑ $6,600; revenue ↑ $6,600.
Dr COGS $3,900 Cr Inventory $3,900	Expense ↑ $3,900; inventory ↓ $3,900.
Net profit	$6,600 − $3,900 = **$2,700 increase**.

Completeness check: customer event + inventory release + profit effect.

16c · Cash-Flow Repair Cards

W10



No cash → no direct-method line.

Cash-only filter precedes activity classification.

IF YOU SEE...	ACTION
Depreciation	Exclude from direct cash payments.
Credit sale	Exclude until customer cash arrives.
Equipment cash purchase	Investing outflow.
New borrowing	Financing inflow.
Opening + three sections	Reconcile exactly to closing cash.

Liquidity paragraph: state recurring operating cash generation; compare it with near-term obligations and investing demands; identify reliance on new borrowing or owner finance. Borrowed cash may be sensible, but is not evidence that customers generated cash.

16d · Integrated Case Order

W9 · FIVE/SIX LINKED QUESTIONS

1. List each exhibit, date and possible account/decision effect.
2. Build one balance control; mark every number reused later.
3. Separate calculation, journal and qualitative advice with labels.
4. Propagate each correction through linked schedules and statements.

16b · Correction Matrix

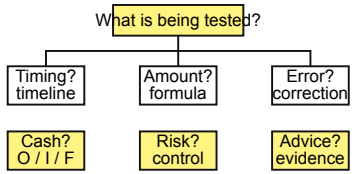
W9 · PARTIAL-CREDIT PATH

COLUMN	WRITE
Reported	Current amount/account.
Error effect	Over/understatement + why.
Correction	Remove wrong effect; record right treatment.
Corrected	Balance carried to later parts.
Advice	Evidence → consequence → action.

Misses: fact twice; second side omitted; profit corrected but not balance; reported and corrected amounts mixed.

17 · Method Chooser

ALL TOPICS · FIRST MOVE



One fact can require timing, calculation, correction and advice.

QUESTION CUE	FIRST STRUCTURE
"Recognise / year end"	Timeline + roll-forward.
"Allocate bundle"	AASB 15 headings + SSP table.
"Margin / discount"	Revenue − cost = GP; denominator.
"Depreciation revised"	Current carrying amount; remaining life.
"Loan payment"	Opening principal × rate; split.
"Cash-flow repair"	Cash filter; O/I/F; reconcile.
"Recommend control"	Risk → role → action/time → evidence.

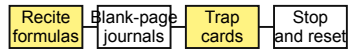
18 · Classic Trap Board

SELF-MARK BEFORE MOVING ON

TRAP	REPAIR SENTENCE
Cash = result	Use performance, consumption or obligation.
Balanced = correct	Equality is only mechanical.
Loan payment = expense	Split interest and principal.
Dividend = expense	Owner distribution reduces equity.
Depreciation = cash	Non-cash allocation.
Generic control	Name risk, role, timing and evidence.

19 · Exam-Morning Plan

CLOSED-BOOK RECALL



Recall → check → rest; no new rules.

Morning sequence: active recall, one correction pass, then protect attention.