ACCT1006 Accounting and Financial Management

THE UNIVERSITY OF SYDNEY BUSINESS SCHOOL · UNDERGRADUATE

Full guide + ask Sia about ACCT1006

SIDE 1/2 WHAT MUST BE IN YOUR HEAD · rules → methods → checks **CLOSED-BOOK MEMORY SHEET** S2 2026 · final 50% · hurdle 45%

1 · Exam map

COURSE + BRIEF

Final 50 | Test 25 | P | 3 | 5 | 11 | 12

TASK	WT	FORMAT / ROLE
Final Examination	50%	2 h written; only hurdle, ≥45% of available marks
In-semester Test	25%	1.5 h supervised
Participation	5%	Ongoing tutorial work
W3 / W12 Quiz	5% / 5%	Online quizzes
W5 / W11 Reflection	4% / 6%	In-person tutorial reflection

"Type: Supervised, closed book" *(ACCT1006 Assessments page, Canvas 2026 (MD_Assessments_ACCT1006_Accounting_and_Financial_Management.md))*

2 · The master response

COURSE STRATEGY

EVENT facts → CLASSIFY elements → RECORD Dr = Cr → EXPLAIN limits

Event → classify → record → interpret.

1. **Identify** the economic event, reporting entity, date and evidence.
2. **Classify** each affected item before choosing an account.
3. **Apply** the debit/credit rule; show every linked effect.
4. **Check** ΣDr = ΣCr and A = L + E independently.
5. **Carry** the entry through journal, ledger, adjustment and statements as asked.
6. **Interpret** for the named stakeholder; state what the figures cannot establish.

EXAM CUE *Marks sit in the chain. A final number without classification, entries, check and interpretation hides the method.*

2a · Decision-useful reporting

C1

OBJECT	ASK
Financial accounting	What external-user information is prepared and communicated?
Economic decision	Which resources, benefits, costs, risks and constraints matter?
General-purpose reporting	Which common user needs can the statements serve?

PERIOD RESULT

```
Profit = Income - Expenses
```

Profit is not cash generated. State the stakeholder, decision, relevant information and limitation. Financial statements cannot answer every operational, environmental or forward-looking question.

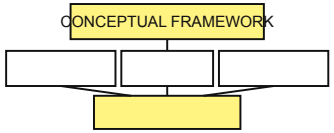
2b · Priority recall spine

C1–C11

PROMPT FAMILY	FIRST MOVE	FINISH WITH
Stakeholder decision	Name user, decision and time horizon.	Relevant reporting evidence plus its limit.
Recognition	Fix reporting entity and element definition.	Measurement/reporting condition and judgement.
Transaction	Classify every affected element/account.	Balanced entry plus equation check.
Period end	Separate economic timing from cash timing.	Adjustment, statements, closing and continuing balances.
Analysis	Select the relationship and define its quantities.	Independent check, decision meaning and boundary.

3 · Recognition judgement

C2



Entity → definition → measurement → recognition.

Conceptual Framework = concepts guiding general-purpose reporting, standard setting and accounting policy judgement. A ***reporting entity*** prepares general-purpose statements for external users.

DECISION	REQUIRED MOVE	BOUNDARY
Does the item belong?	Name the entity; test the applicable element definition and measurement/reporting condition.	Economic importance alone does not force recognition.
Who is responsible?	Keep the resource, obligation and transaction inside the stated entity boundary.	Do not merge owner and entity claims.
How to explain?	Definition → evidence → judgement → effect on statements.	Legal ownership, cash movement and recognition are related, not interchangeable.

RECITE *"Name the entity; test the definition; test measurement; recognise only within the reporting boundary."*

4 · Elements first

C3

ASSET | LIABILITY | EQUITY | INCOME / EXPENSE

classify before accounts and entries

Classify the element before the account.

ELEMENT	DEFINITION / TEST
Asset	Present economic resource controlled by the entity as a result of past events.
Liability	Present obligation to transfer an economic resource as a result of past events.
Equity	Residual interest after all recognised liabilities are deducted from recognised assets.
Income / expense	Use the period relation: income increases the result; expenses reduce it.

POSITION IDENTITIES

```
A = L + E
E = A - L
```

Exam use: explain the resource or obligation first, then name the account. Cash movement does not by itself decide the element.

4a · Definition traps

C2–C3

- **Asset ≠ thing owned:** the definition turns on a present controlled economic resource from past events.

5 · Double-entry control

C4



Equation + debit + credit + check.

ARITHMETIC CONTROL

```
Σ Dr = Σ Cr
```

TERM	MEANING	WHAT IT DOES NOT MEAN
Debit	Entry on the left side; effect depends on account type.	Not automatically "bad", a decrease or cash paid.
Credit	Entry on the right side; effect depends on account type.	Not automatically "good", an increase or cash received.
Balanced	Total debit amount equals total credit amount.	Does not prove correct accounts or completeness.

TRANSACTION ALGORITHM

1. Describe the event without account labels.
2. Name every resource, obligation, residual, income or expense effect.
3. Select the accounts and decide each direction.
4. Place left-side debit and right-side credit amounts.
5. Verify totals and the accounting equation separately.
6. Explain the statement effect and any measurement uncertainty.

TWO CHECKS *"Balanced" is necessary, not sufficient. Re-perform classification after the arithmetic works.*

5a · Error detection

C4–C5

FAILURE	ΣDR = ΣCR?	BETTER CHECK
One-sided entry / unequal amount	No	Re-add journal and ledger totals.
Entire event omitted	Yes	Trace source event to journal.
Wrong accounts, equal amounts	Yes	Reclassify elements and accounts.
Equal-offset posting error	Yes	Trace journal → each ledger account.

A balanced journal or trial balance can still be wrong. State exactly which error the control can and cannot detect.

6 · Recording trail

C5

STAGE	OUTPUT	CONTROL QUESTION
Journal	Date, accounts, debit amount, credit amount, explanation.	Does the entry capture the whole event?
Ledger	Transaction effects accumulated by account.	Was every journal line posted once, to the intended side?
Trial balance	Listing of ledger balances.	Do total debit balances equal total credit balances?

TRIAL-BALANCE EQUALITY

```
Σ Dr balances = Σ Cr balances
```

Limit: the equality does not reveal omitted transactions, equal-offset errors or posting to the wrong accounts. It tests the recording trail's arithmetic, not its economic truth.

7 · Accrual adjustment

C6

CASH DATA → ADJ. ENTRY → MATCH PER. → CURR. BAL.

Cash data → period adjustment → current balances.

Accrual accounting recognises economic effects when they occur, not only when cash moves. An ***adjusting entry*** updates accrued, deferred, estimated or allocated amounts at period end.

ACCRUAL PROFIT

```
Profit = Revenue earned -
Expenses incurred
```

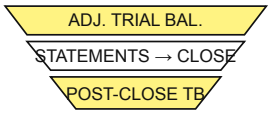
IF THE EVIDENCE SHOWS...	DO THIS
Revenue earned in this period but cash timing differs	Recognise the earned amount in this period; update the related balance.
Expense incurred in this period but cash timing differs	Recognise the incurred amount; update the related asset or obligation.
Estimate / allocation needed	State the assumption and show profit plus carrying-amount effects.

An estimate may be necessary and still uncertain. It can require later revision; it is not transformed into a cash fact merely because an entry is made.

Trace check: source event → journal → ledger → trial balance. If totals agree but the result looks wrong, recheck omissions, equal-offset errors and account choice.

8 · Complete the cycle

C7



Adjusted balances → statements → closing.

1. Finish period-end adjustments.
2. Prepare the ***adjusted trial balance***.
3. Complete the financial statements from adjusted amounts.
4. Use ***closing entries*** to transfer temporary balances.
5. Confirm temporary income and expense accounts reset; permanent accounts continue.
6. Prepare/check the post-closing balances.

CLOSING TRANSFER

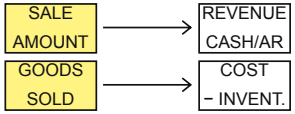
```
RE close = RE open + Profit -
Distributions
```

TEMPORARY	PERMANENT
Period income and expense balances are closed so the next reporting period starts at zero.	Continuing statement-of-position balances remain after closing.

Boundary: closing reorganises period records. It does not erase the economic events or reset permanent balances.

9 · Merchandising result

C8



Sale = consideration side + inventory-cost side.

Inventory is goods held for sale or used to produce goods for sale. ***Cost of sales*** is the carrying amount recognised as expense when the related goods are sold.

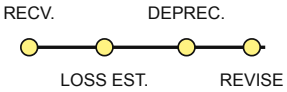
GROSS PROFIT

```
GP = Sales - Cost of sales
```

EVENT	RECOGNITION FOCUS	CHECK
Purchase	Record the resource obtained and the consideration/obligation.	Inventory movement is separate from later sale.
Sale	Record revenue/consideration and the inventory consumed.	Two linked effects; profit needs both.
Interpret	Explain the sales–cost spread.	Gross profit is not operating cash flow.

10 · Measurement estimates

C9



Recognise → estimate → allocate → revise.

ITEM	METHOD / MEANING	LIMIT
Trade receivable	Contractual right to receive consideration after a credit sale.	Face amount and expected collection need not coincide.
Expected credit loss	Estimate of receivable amounts not expected to be collected under stated assumptions.	Estimate, not the cash write-off itself.
Depreciation	Systematic allocation of depreciable amount across estimated useful life.	Not direct market-value decline or a cash outflow.

STRAIGHT-LINE ALLOCATION

```
D = (Cost - Residual value) ÷
Useful life
```

Answer path: define resource → identify estimate → substitute with units → check allocation/carrying amount → explain profit effect → qualify uncertainty.

11 · Financing structure

C10

CLAIM	CLASSIFICATION / MEANING
Current liability	Current-period/operating-cycle obligation; creditor claim.
Contributed equity	Owner financing; residual interest, not repayment obligation.
Financial leverage	Debt can magnify returns and exposure to fixed obligations.

DEBT-TO-EQUITY

```
D/E = Total liabilities ÷ Total
equity
```

Give the reporting date and comparison context. A ratio describes recorded structure; it does not alone determine solvency or value.

12 · Cash-flow classification

C11

OPER. CORE | INVEST. LT ASSET | FINANCE LENDERS OWNERS

NATURE → CLASS

Classify cash by its economic nature.

Your exam is closed book: nothing printed goes in. Use this sheet to revise and self-test, not to carry.
Semester 2 formal examination period, from 16 November 2026 (the Exams Office publishes the exact date).

ACCT1006 Self-test drills, judgement cards & classic traps

ACCOUNTING AND FINANCIAL MANAGEMENT · THE UNIVERSITY OF SYDNEY

Full guide + ask Sia about ACCT1006

SIDE 2/2 RETRIEVE · solve · check · explain · repair

SELF-TEST — NO NOTES FIRST

Use answers only after committing a path

13 · Drill 1: credit sale

COURSE WORKED EXAMPLE

Prompt. A business sells inventory costing **$600** for **$1,000** on credit. Record both effects; explain why one entry is insufficient.

SALE $1,000 · INVENTORY COST $600

Dr Receivable $1,000	Cr Revenue $1,000
Dr Cost of sales $600	Cr Inventory $600

Two pairs; then check the $400 result.

1. Debit accounts receivable **$1,000**: controlled right to cash.
2. Credit sales revenue **$1,000**: recognise income from the sale.
3. Debit cost of sales **$600**: inventory consumed in earning revenue.
4. Credit inventory **$600**: remove the resource delivered.
5. Assets: +$1,000 − $600 = **+$400**; profit and equity: **+$400**.
6. Only the first pair overstates inventory and profit by **$600**.

ANSWER CHECK

```
ΣDr = $1,600 = ΣCr
Gross profit = $1,000 - $600 = $400
```

MARK CUE *Name the revenue side, cost side, net asset effect, profit/equity effect and the omission error.*

13a · Mutation tests

C4 + C8

CHANGE THE PROMPT	WHAT MUST CHANGE?
Customer pays immediately	Consideration account changes; the cost/inventory pair remains conceptually separate.
Inventory cost omitted	Debit still equals credit, but inventory and profit are overstated.
Wrong asset account used	The entry may balance; classification check catches it.

13b · Six-mark replay

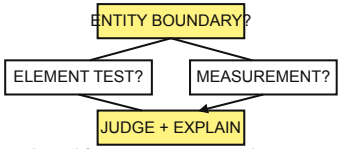
COURSE WORKED EXAMPLE

MARK MOVE	REQUIRED STATEMENT
1	Dr accounts receivable $1,000: controlled right to cash.
2	Cr sales revenue $1,000: income from the sale.
3	Dr cost of sales $600: resource consumed to earn revenue.
4	Cr inventory $600: remove goods delivered.
5	Net assets +$400; profit/equity +$400.
6	One pair alone overstates inventory and profit.

14 · Drill 2: recognition

C2–C3

Prompt. For any proposed item, decide whether it belongs in the reporting entity's general-purpose statements. Do not begin with the desired answer.



Boundary → definition → measurement → judgement.

STEP	ANSWER STEM
1 · Entity	"The relevant reporting entity is …; the evidence lies inside/outside that boundary because …"
2 · Element	"This is / is not a present controlled resource, present transfer obligation or residual interest because …"
3 · Condition	"Recognition also depends on the applicable measurement/reporting condition …"
4 · Consequence	"Therefore recognise / do not recognise; the position/result effect is …"
5 · Limit	"Economic importance, cash movement or legal ownership alone does not settle the test."

INVERSE CHECK

```
If recognised: A = L + E must still hold.
If not: explain the disclosure/information limit without inventing treatment.
```

14a · Element speed round

C3

- **Controlled present resource from a past event?** → test asset.
- **Present obligation to transfer a resource?** → test liability.
- **Residual after recognised obligations?** → equity.
- **Period increase/decrease in result?** → link income or expense to profit.

SAY ALOUD *Definition, evidence, judgement, statement effect, boundary. If one is missing, the answer is not finished.*

14b · Recognition trap cards

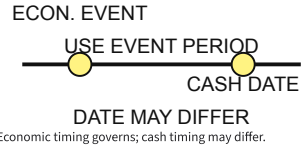
C1–C3

TEMPTING SHORTCUT	WHY IT FAILS	REPAIR
"Cash moved."	Cash timing is not the element definition.	Test resource/obligation and reporting conditions.
"Legally owned."	Legal ownership and accounting control are not interchangeable.	Identify the controlled economic resource evidenced.
"Economically important."	Importance alone does not guarantee recognition.	Apply definition and measurement/reporting condition.

15 · Drill 3: accrual path

C6

Prompt. A period-end fact and its cash timing differ. Build the adjustment without treating cash as the recognition rule.



Economic timing governs; cash timing may differ.

1. Name what was **earned** or **incurred** by period end.
2. Identify the balance needing update: accrued, deferred, estimated or allocated.
3. Write the two-sided adjusting entry; keep debit and credit totals equal.
4. Recalculate period profit using earned revenue and incurred expense.
5. Show the updated asset or obligation and recheck A = L + E.
6. State any estimate, measurement uncertainty and later-revision risk.

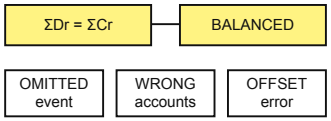
SYMBOLIC WORKED ANSWER

```
Profit = R earned - E incurred
not cash received - cash paid
```

TRAP	REPAIR
"No cash, so no entry."	Ask whether the economic effect occurred this period.
Estimate treated as exact.	Name the assumption and revision possibility.
One statement only.	Show profit and the related carrying-balance effect.

15a · Trial-balance ambush

C5



Balanced can still be incomplete or misclassified.

Answer "what does it prove?" narrowly: ledger debit balances equal ledger credit balances. Then list the undetected error named in the prompt and the separate source-to-ledger check needed.

15b · Repair protocol

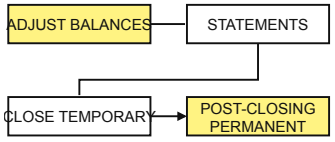
C4–C6

1. **Totals mismatch?** Re-add and trace posting amounts/sides.
2. **Totals agree, result wrong?** Return to the event; reclassify elements/accounts.
3. **Result looks cash-based?** Search for earned/incurred effects and adjustments.
4. **Estimate looks exact?** recover assumption, boundary and revision risk.

16 · Drill 4: close the period

C7

Prompt. Explain the order and purpose of period completion; distinguish temporary from permanent balances.



Adjust → statements → close → post-close.

SYMBOLIC WORKED ANSWER

```
RE close = RE open + Profit -
Distributions
```

1. Start from the adjusted trial balance, not unadjusted cash-timed amounts.
2. Prepare statements from the adjusted accounts.
3. Transfer the period result into continuing equity.
4. Reset temporary income and expense accounts for the next period.
5. Keep permanent balances; confirm the post-closing position.

CLAIM	VERDICT	WHY
"Closing deletes the events."	False	It changes organisation of period records.
"Every account becomes zero."	False	Permanent balances continue.
"Period result enters continuing equity."	True	That is the closing transfer shown above.

16a · Method chooser

C4–C8

IF YOU SEE…	DO…
Economic event	Elements → accounts → debit/credit → two checks.
Period-end timing mismatch	Accrual adjustment; earned/incurred test.
End-of-period sequence	Adjust → statements → close → post-close.
Merchandising sale	Consideration pair + inventory-cost pair.

SPEED *Choose the method from the task verb: record, adjust, close, classify, reconcile or interpret.*

16b · Cycle oral test

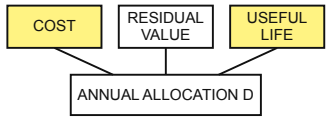
C5–C8

QUESTION	ONE-BREATH ANSWER
Why adjust?	To report earned income, incurred expense and current balances in the relevant period.
Why an adjusted trial balance?	To collect post-adjustment balances before statements.
Why close?	To transfer the period result and reset temporary accounts.
What survives?	Permanent account balances and the recorded economic history.

17 · Drill 5: measurement

C9

Prompt. Explain a straight-line depreciation calculation when only cost, residual value and useful life are supplied. Keep the answer symbolic if no source numbers are given.



Cost, residual value and life determine D.

ANSWER PATH

```
D = (Cost - Residual value) ÷ Useful life
Depreciable amount = Cost - Residual value
```

1. Define every input and keep all amounts in compatible units.
2. Subtract residual value from cost before dividing.
3. Divide by the estimated useful life; state the period of the result.
4. Check: repeated allocation should not exceed the depreciable amount.
5. Explain: expense lowers period profit; accumulated allocation lowers carrying amount.
6. Qualify: estimates can change; D is not market-value decline or current cash paid.

IF YOU SEE X…	→ DO Y
Receivable collectability	Estimate expected credit loss under stated assumptions.
Long-lived asset allocation	Use cost, residual value and useful life.
"Market value fell"	Do not equate that observation automatically with depreciation.
Estimate revised	Explain future measurement effects; do not pretend the old estimate was cash.

17a · Financing judgement

C10

```
D/E = Total liabilities ÷ Total equity
```

A high or low value cannot alone establish solvency or value. Identify the recorded creditor/owner claims, the reporting date and the comparison being made.

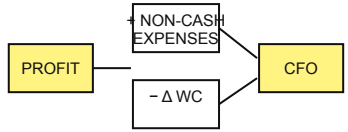
17b · Explain, do not label

C9–C10

OUTPUT	COMPLETE INTERPRETATION
Depreciation D	Period allocation using estimated residual value/life; affects profit and carrying amount, not current cash.
Credit-loss allowance	Estimated uncollectible receivable amount; assumptions may be revised.
D/E ratio	Creditor claims relative to owner claims at a reporting date; add comparison context.

18 · Reconcile profit and cash

C11



Profit + non-cash − working-capital change = CFO.

SYMBOLIC WORKED ANSWER

```
CFO = Profit + Non-cash expenses - Δ Working capital
```

1. Begin with profit, an accrual measure.
2. Add back non-cash expenses in the compact source relation.
3. Apply the working-capital change with its sign intact.
4. Classify remaining cash movements by economic nature: operating, investing or financing.
5. Reconcile to the cash movement and explain why profit differs.
6. Do not infer solvency or value from one positive figure alone.

PROMPT CLUE	CLASSIFICATION ROUTE
Principal revenue-producing activity	Operating cash flow.
Acquire/dispose of long-term asset or investment	Investing cash flow.
Transaction with lender/owner changing financing structure	Financing cash flow.

Classic trap: positive profit can coexist with weak operating cash flow. Explain the timing/non-cash bridge; do not call it a contradiction.

19 · Judgement cards

ALL CHAPTERS

IF YOU SEE X…	→ DO Y
Stakeholder decision	User, information, limitation.
Proposed item	Entity → definition → measurement condition.
Balanced trial balance	Accept arithmetic only; test omission/classification.
Estimate / ratio	Inputs, date, effects, context and limit.
Cash-flow item	Classify by economic nature.

20 · Exam-morning plan

PRACTICE + BRIEF



Retrieve → transfer → counter-case → repair.

1. **Blank page:** A=L+E; ΣDr=ΣCr; profit; GP; depreciation; D/E; CFO; closing transfer.
2. **Definitions:** asset, liability, equity, debit, credit, journal, ledger, trial balance, accrual.

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