ACCT5001 Foundation in Accounting

UNIVERSITY OF SYDNEY BUSINESS SCHOOL · POSTGRADUATE COURSEWORK

Full guide + ask Sia about ACCT5001

SIDE 1/2 WHAT MUST BE IN YOUR HEAD · definitions → rules → formulas → cross-checks CLOSED-BOOK MEMORY SHEET S2 2026 · final 50% · minimum 45% component mark

1 · Exam map

COURSE.JSON · OFFICIAL

5	Test 20%	Case 25%	Final exam 50%

Tutorial participation 5% · In-semester test 20% · Individual business case 25% · Final exam 50%

OFFICIAL RULE → *"closed book, no reference materials/resources are permitted" (ACCT5001 2026 S2 Canvas Overview of assessments (2026s2 files) (MD_Overview_of_assessments_ACCT5001_Foundation_in_Accounting.md))*

Priority: retrieve the classification and the check, not isolated words. For every event: entity → accounts → directions → equal amounts → statement effect → interpretation.

2 · Entity + equation

C1 · REPORTING ENTITY

Reporting entity = organisation or economic unit whose activities are represented in accounts. Keep owner activity separate: control by one person does not make a personal purchase an entity event.

Economic event = occurrence with measurable effects on the entity's resources, obligations, income or expenses.

IDENTITY — AFTER EVERY RECOGNISED TRANSACTION

Assets = Liabilities + Equity

Resources = creditor claims + owners' residual interest

entity? event? → accounts affected → A = L + E still holds → explain meaning

classify → record both effects → reconcile

Reporting-entity route: recognise only an entity event, then preserve the equation.

ELEMENT	EXAM RECOGNITION
Asset	Presently controlled resource from an earlier transaction/occurrence.
Liability	Current duty requiring the entity to give up an economic resource.
Equity	Residual interest: assets less liabilities.

CHECK → *An equipment purchase for cash changes asset composition; it does not by itself change total assets or profit.*

2b · Representation check

C1 · METHOD

Before arithmetic, draw a three-line setup: **observed facts** supplied by the question; **derived amounts** you must calculate; and the **decision** the answer must support. State the reporting entity, money units and reporting date, then predict which equation elements should move.

FAILURE	REPAIR THE FIRST BAD LINE
Translation	Re-name the entity, event and affected elements.
Calculation	Recheck sign, amount and equality only after translation is sound.
Interpretation	Answer the question asked; do not merely repeat the calculated total.

Boundary test: ask whether the same event would still be recorded if the owner and entity were plainly different people. If not, revisit the entity boundary.

TRAP → *A personal purchase is not recorded merely because one person controls owner and entity. Record only the entity's event, identify its resource or obligation, then re-test A = L + E.*

3 · Double-entry decoder

C2 · DEBIT/CREDIT

Debit = left-side entry; ***credit*** = right-side entry. Their meaning depends on account type. Debit is not "bad/cash out"; credit is not "good/cash in".

NON-NEGOTIABLE EQUALITY

Σ Debit amounts = Σ Credit amounts

WORKED PATTERN	DEBIT SHOWN	CREDIT SHOWN
Buy $2,400 supplies on account	Supplies $2,400	Accounts Payable $2,400
Accrue $1,800 unpaid wages	Wage Expense $1,800	Wages Payable $1,800
Cash closing balance	$6,750 debit balance	—

DEBIT · LEFT	CREDIT · RIGHT
Supplies +2.4k	Payable +2.4k
Wage exp +1.8k	Payable +1.8k

classify account → choose side

Source-backed patterns: the account type and direction determine the side.

TRANSLATE AN EVENT

1. Name the event and entity.
2. Name at least two accounts; classify each.
3. Decide increase/decrease; map to Dr/Cr.
4. Enter equal amounts and narrate A/L/E effect.

MARKER CHECK → *A correct side without an account classification is fragile; show why the side follows.*

4 · Recognition matrix

C1–C2 · DUAL EFFECT

EVENT	FIRST EFFECT	SECOND EFFECT	EQUATION
Owner contributes cash	Cash increases	Equity increases	A↑ = E↑
Buy equipment for cash	Equipment increases	Cash decreases	Asset mix only
Buy supplies on account	Supplies increase	Payable increases	A↑ = L↑
Incur unpaid wages	Expense increases	Payable increases	E↓; L↑
Receive a new loan	Cash increases	Borrowing increases	A↑ = L↑

CHANGED-SCENARIO TEST

5 · Accounting cycle

C3 · JOURNAL → TB

Journal = chronological record of accounts and debit-credit effects. ***Ledger*** = account-by-account accumulation. ***Trial balance*** = list of ledger balances testing debit-credit arithmetic before statements.

SOURCE → JNL → LEDGER → T/B

statements use checked balances

evidence → journal → ledger → T/B

The audit trail: source evidence must survive into the final ledger balance.

CLOSING LEDGER BALANCE

$B_{close} = B_{open}$ + Increases − Decreases

Signs follow the account's normal balance.

STAGE	DO	CONTROL
Analyse	Event, accounts, amount	Entity boundary
Journalise	Record accounts and debit-credit effects	ΣDr = ΣCr
Post	Move each side to its account	Preserve the journal trail
Balance	Apply the account's normal-balance sign	Recompute closing amount
Trial balance	List debit/credit balances	Totals equal

WHAT EQUALITY PROVES—AND DOES NOT

Equal trial-balance totals support arithmetic consistency only. A balanced trial balance can still hide an omitted transaction, a wrong account, or equal-offset errors. Trace back to evidence whenever meaning looks wrong.

EXAM MOVE → *If equality survives after posting to the wrong asset, say precisely why the trial balance cannot detect classification.*

6 · Error locator

C3 · FIRST FAILED MOVE

SYMPTOM	FIRST CHECK
Totals unequal	Single-sided posting; digit/side; amount.
Totals equal, odd balance	Wrong account; omission; two equal errors.
Closing sign reversed	Normal balance before adding movements.

RECONSTRUCT, DO NOT GUESS

7 · Timing: accrual or deferral?

C4 · ADJUSTMENTS

Accrual recognises income earned or expense incurred *before* related cash. ***Deferral*** postpones recognition *after* cash because value remains unearned or unconsumed. An ***adjusting entry*** aligns period-end balances with recognition and measurement.

WHICH COMES FIRST?

event → accrual → recv./payable

cash → deferral → prepaid/unearned

cash timing ≠ performance

Timing classifier: compare the economic event with the related cash movement.

MISMATCH	PERIOD-END ENTRY	EFFECT
Expense incurred, unpaid	Dr Expense · Cr Payable	Expense↑, L↑, profit↓
Income earned, uncollected	Dr Receivable · Cr Revenue	A↑, revenue↑
Cash paid, benefit remains	Keep asset for unconsumed part; recognise used part	Asset↓ as expense↑
Cash received, service owed	Keep liability for unearned part; recognise earned part	L↓ as revenue↑

EXPENSE–CASH RECONCILIATION

$Expense_{period}$ = Cash paid + Closing payable − Opening payable

FOUR-STEP ADJUSTMENT

1. Locate the period-end timing mismatch.
2. Ask what is earned/incurred by the reporting date.
3. Name the income/expense and asset/liability.
4. Record equal Dr/Cr; state profit and position effects.

RECITE → *Recognition follows the economic event; cash may be earlier or later.*

8 · Adjustment cross-check

C4 · LIMITS

IF OMITTED	LIKELY DISTORTION
Accrued expense	Expense understated; liability understated; profit overstated.
Accrued income	Asset and revenue understated; profit understated.
Used prepayment	Asset overstated; expense understated; profit overstated.

PAYABLE-MOVEMENT LOGIC

9 · Profit → equity → position

C5–C6 · LINKED STATEMENTS

Revenue increases equity from ordinary activities, excluding owner contributions. ***Expense*** decreases equity through consumed resources or incurred obligations. ***Profit*** is recognised revenue less recognised expenses for the period.

PERFORMANCE

Profit = Revenue − Expenses

Gross profit = Sales − Cost of sales

Net profit = Gross profit − Other expenses

EQUITY ROLL-FORWARD

$E_1 = E_0$ + Contributions + Profit − Drawings

REV − EXP → PROFIT → CLOSE E

A = L + closing E

profit rolls into position

Statement linkage: recognised profit changes equity; closing equity completes the equation.

QUESTION ASKS	BUILD	DO NOT CONFUSE
Period performance	Revenue, expenses, profit	Receipt/payment timing
Position at date	Assets, liabilities, equity	More assets with better solvency
Equity movement	Opening + contribution + profit − drawings	Owner contribution with revenue

Profit is not cash. Recognition and estimates can produce profit while cash is stressed; cash can rise through a loan without revenue.

TWO-WAY CHECK → *Closing equity from the roll-forward should equal assets less liabilities at period end.*

10 · Classification traps

C5–C6 · JUDGEMENT

- Owner contribution changes equity but is not revenue.
- Drawings reduce equity but are not an operating expense.
- Buying equipment for cash is not an immediate profit calculation in the supplied examples.
- A stronger asset total may be debt-financed and need not imply stronger solvency.

11 · Cash-flow classification

C7 · STATEMENT LINKS

Operating = cash from principal revenue-producing activities and related payments. ***Investing*** = acquisition/disposal of long-term resources and investments. ***Financing*** = changes in borrowings and owner financing.

CASH RECONCILIATION

$Cash_{close} = Cash_{open}$ + CFO + CFI + CFF

OPER.	INVEST.	FINANCE
customers	equipment	borrowings

classify cash → sum signed totals

Cash classes answer different questions; a loan improves cash but is not revenue.

CASH ITEM	CLASS	INTERPRETIVE CUE
Operating receipts/payments	CFO	Recurring activity cash
Equipment purchase	CFI	Long-term resource acquired
New loan	CFF	Liquidity from borrowing, not profit

12 · Ratios that communicate

C8 · LIQUIDITY

LIQUIDITY SNAPSHOT

Current ratio = Current assets ÷ Current liabilities

PERFORMANCE SCALE

Profit margin = Profit ÷ Revenue

State which profit definition is used.

formula + units → drivers inside → compare like with like → named user

then state limitation: quality · timing · policy

a ratio is evidence, not the decision itself

Ratio answer path: calculate, diagnose drivers, compare consistently, communicate limits.

RESULT	SAFE INTERPRETATION	LIMIT
Current ratio x	$x recorded current assets per $1 current liabilities	Collectability, inventory liquidity, timing
Profit margin x%	x cents profit per $1 revenue under stated definition	Recognition, estimates, comparability

Comparability requires aligned definitions and context. A ratio can improve through a harmful denominator change or incompatible accounting choices; never label "good/bad" from one number alone.

ACCT5001 Foundation in Accounting · Drills

ANSWER PATH · JUDGEMENT CARDS · CLASSIC TRAPS · EXAM-MORNING PLAN

Full guide + ask Sia about ACCT5001

SIDE 2/2 FIVE SELF-TEST DRILLS · cover the answers → speak the path → calculate → cross-check

CLOSED-BOOK MEMORY SHEET

Rule: no passive rereading · retrieve, mark, repair

13 · Drill 1: month of trading

INTEGRATED WORKED EXAMPLE

Prompt. Owner cash $20,000; equipment bought for $6,000 cash; revenue $8,000, of which $2,000 remains receivable; expenses $3,000, of which $500 remains payable. Find ending cash, profit and closing equity, ignoring tax.

- Contrib.: cash +20k; equity +20k
- Equip.: cash −6k; equipment +6k
- Revenue: cash +6k; receivable +2k
- Expense: cash −2.5k; payable +.5k

Translate every fact into cash/non-cash portions before calculating totals.

PATH	CALCULATION	ANSWER
1 Cash	20,000 − 6,000 + 6,000 − 2,500	$17,500
2 Profit	8,000 − 3,000	$5,000
3 Equity	20,000 contribution + 5,000 profit	$25,000
4 Equation	17,500 cash + 2,000 receivable + 6,000 equipment − 500 payable	$25,000

FINAL RESPONSE

```
Ending cash = $17,500 · profit =
$5,000 · closing equity = $25,000.
```

WHERE MARKS DISAPPEAR

- Treating the full $8,000 revenue as cash instead of separating $2,000 receivable.
- Treating the full $3,000 expense as paid instead of leaving $500 payable.
- Deducting the equipment purchase from profit rather than recognising an asset exchange in this prompt.

CROSS-CHECK → *If the equation does not reconcile to $25,000, the answer path is unfinished.*

13b · Cover-and-retrieve

INTEGRATED SELF-TEST

Cover the answer and say the route before touching arithmetic: contribution and equipment first; split revenue into $6,000 cash and $2,000 receivable; split expenses into $2,500 cash and $500 payable; calculate cash and profit independently; reconcile closing equity.

RETRIEVAL PROMPT	REQUIRED RESPONSE
Why is revenue $8,000?	Recognition includes the $2,000 receivable; collection timing does not remove earned revenue.
Why is expense $3,000?	The $500 payable is incurred even though unpaid.
Why is cash $17,500?	Only cash portions enter the cash calculation.
Why does equity close at $25,000?	$20,000 contribution + $5,000 profit; equation agrees.

14 · Drill 2: credit purchase

C2 WORKED EXAMPLE

Prompt. The entity buys $2,400 supplies on account. Give the entry and equation effect.

DEBIT $2,400	CREDIT $2,400
Supplies (A ↑)	Payable (L ↑)

A +2,400 = L +2,400

ΣDr = ΣCr · cash unchanged

On-account purchase: the liability, not cash, is the second side.

1. Supplies are an asset increase → **debit Supplies $2,400**.
2. An obligation is created → **credit Accounts Payable $2,400**.
3. The two sides are equal; assets and liabilities each rise $2,400.

ANSWER LINE

```
Dr Supplies $2,400
Cr Accounts Payable $2,400
A↑ $2,400 = L↑ $2,400
```

CHANGED WORDING	CHANGED SECOND ACCOUNT
"paid cash"	Credit Cash; total assets unchanged in composition.
"on account"	Credit Payable; assets and liabilities rise.
Owner bought personally	First test whether it is an entity event.

TRAP → *"Credit purchase" describes financing of the purchase; it does not mean credit is automatically good.*

15 · Ledger micro-check

C3 WORKED NUMBERS

Cash opens $5,000, receives $3,200 and pays $1,450.

```
$5,000 + $3,200 - $1,450 = $6,750 debit
```

Place $6,750 on the debit side of the trial balance. Keep the journal trail: a balance compresses history and cannot explain itself.

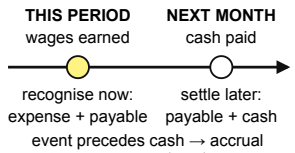
CHECKPOINT	SAY ALOUD
Opening	$5,000 debit balance
Receipt	Add $3,200 to Cash
Payment	Subtract $1,450 from Cash
Closing	$6,750 debit balance enters trial balance

Now test the limit: post one amount to the wrong asset on both sides of an entry. Equality may survive, so the trial balance cannot certify classification. The remedy is evidence-to-journal-to-ledger tracing, not repeated addition.

16 · Drill 3: unpaid wages

C4 WORKED EXAMPLE

Prompt. Staff have earned $1,800 wages; payment is next month. Record the period-end adjustment and effects.



The economic event occurs now; the cash movement occurs later.

1. Work is consumed this period → recognise Wage Expense.
2. **Debit Wage Expense $1,800.**
3. Payment is owed → recognise a liability.
4. **Credit Wages Payable $1,800.**

EFFECTS

```
Expense ↑ $1,800 · Profit ↓ $1,800
Liabilities ↑ $1,800 · Cash unchanged
```

WRONG MOVE	WHY WRONG
Wait until cash is paid	Understates current expense and liability; overstates profit.
Credit Cash now	The prompt says payment is next month.
Debit Payable	No prior liability is being settled; one is created.

RECITE → *An accrual records the economic event now and cash later.*

17 · Timing judgement cards

C4 · IF X → Y

IF YOU SEE...	DO...
earned, not collected	Dr Receivable · Cr Revenue
incurred, not paid	Dr Expense · Cr Payable
paid, benefit remains	Retain asset for unconsumed portion
received, service owed	Retain liability for unearned portion

EXPLAIN THE REVERSAL

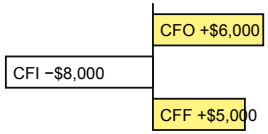
If cash had been paid before service rather than after it, the problem would shift from accrual to deferral. Do not merely change the date label: identify the asset or liability representing the unconsumed or unearned amount, then recognise only the portion belonging to the period.

For every adjustment, complete this sentence: "The economic event belongs to **this period**, while cash belongs to _____; therefore recognise _____ now and carry _____ at the reporting date."

18 · Drill 4: classify net cash

C7 WORKED EXAMPLE

Prompt. Operating receipts $30,000; operating payments $24,000; equipment purchase $8,000; new loan $5,000. Find net cash change.



NET = +6,000 − 8,000 + 5,000 = +$3,000

Signed activity totals reconcile to the $3,000 increase in cash.

STEP	WORK	WHY
1 CFO	30,000 − 24,000 = +6,000	Principal operating receipts/payments
2 CFI	−8,000	Acquire long-term equipment
3 CFF	+5,000	New borrowing
4 Sum	+6,000 − 8,000 + 5,000	Net cash +$3,000

ANSWER LINE

```
Cash increases $3,000: CFO +$6,000;
CFI -$8,000; CFF +$5,000.
```

The loan improves cash but is not revenue. Financing can solve cash timing without creating profit; profit can coexist with cash stress, and positive operating cash can coexist with losses.

SIGN CHECK → *Equipment is an investing outflow here; keep its minus sign when summing.*

19 · Profit contrast

C5 WORKED NUMBERS

Sales $50,000; cost of sales $28,000; other expenses $15,000.

```
Gross profit = 50,000 - 28,000 =
$22,000
Net profit = 22,000 - 15,000 =
$7,000
```

Interpretation still requires scale, prior periods and the recognition basis. Label the subtotal before comparing.

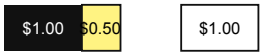
QUESTION	ANSWER PATH
Gross performance?	Sales − cost of sales = $22,000.
Overall recognised result?	Gross profit − other expenses = $7,000.
Cash generated?	Not answered by this profit calculation; inspect receipts, payments and timing.
Decision meaning?	Compare scale and prior periods on the same recognition basis.

20 · Drill 5: current ratio

C8 WORKED EXAMPLE

Prompt. Current assets are $72,000 and current liabilities $48,000. Calculate and interpret.

72,000 ÷ 48,000 = 1.5 times



$1.50 assets $1 liabilities

Current ratio 1.5: $1.50 recorded current assets per $1 current liabilities.

1. Write the denominator: current liabilities.
2. 72,000 ÷ 48,000 = **1.5 times**.
3. Translate units: $1.50 recorded current assets per $1 current liabilities.
4. Question the cushion: receivable collectability, inventory liquidity and timing.
5. Compare with policy and trend on aligned definitions.

COMPLETE ANSWER

```
Current ratio = 1.5 times. This is a
recorded short-term resource
cushion, not a guarantee of payment
capacity.
```

IF RESULT RISES BECAUSE...	JUDGEMENT
Quality current assets rise	May support liquidity; verify timing.
Current liabilities fall after overdue suppliers are paid	May reflect cash used; inspect both components.
Revenue falls while profit is unchanged	Profit margin rises mechanically; performance need not improve.
Definitions/accounting choices differ	Comparability is weakened.

TRAP → *Interpret the components before calling a ratio good or bad.*

21 · Equity recall check

C6 WORKED NUMBERS

Opening equity $40,000; contributions $5,000; drawings $2,000; profit $9,000.

```
40,000 + 5,000 + 9,000 - 2,000 =
$52,000 closing equity
```

Cross-check: closing equity must also equal assets less liabilities at period end.

ITEM	WHY THE SIGN?
Opening equity $40,000	Starting residual interest.
Contribution +$5,000	Owner financing adds equity; not revenue.
Profit +$9,000	Recognised performance increases equity.

22 · Judgement cards

C1–C8 · IF X → Y

IF YOU SEE X...	DO Y...
Personal purchase by owner	Test reporting-entity boundary before recording.
"on account"	Use receivable/payable, not cash.
Totals equal but answer feels wrong	Check omission, wrong account, equal-offset error.
earned/incurred, cash later	Accrual: recognise income/expense plus receivable/payable now.
cash now, performance later	Deferral: retain asset/liability for unconsumed/unearned part.
loan increases cash	Financing inflow; never revenue.
profit but weak cash	Explain accrual timing; reconcile cash separately.
ratio requested	Formula → units → drivers → comparison → named-user limit.

entity + timing → class + direction → equal amounts → meaning + limit

STOP at the first failed link; repair it then recompute only what depends on it

The fast error filter: translation first, arithmetic second, interpretation last.

23 · Classic traps

SOURCE FAQS · LIMITS

- Dr/Cr are sides, not value judgements.
- Balanced trial balance ≠ every transaction correct.
- Cash timing ≠ period performance.
- Profit uses recognition and estimates; it is not cash.
- More assets may be debt-financed.
- A ratio may improve for a harmful reason.

24 · Exam-morning plan

RETRIEVAL · REPAIR

FORM. → ENTRY → ADJUST → RATIO

cover → say → mark first miss

repair once → stop

Final retrieval loop: formulas, entry, adjustment, ratio explanation—then stop.

1. Recite A = L + E; ΣDr = ΣCr; profit; equity roll-forward; cash reconciliation; current ratio.
2. Run one event through entity → accounts → directions → equality → effect.
3. Say accrual versus deferral without notes.
4. Explain why profit ≠ cash and why ratio ≠ verdict.
5. Review the first error only; avoid passive rereading.

SELF-TEST STANDARD → *You are ready when you can produce the path, not merely recognise it.*