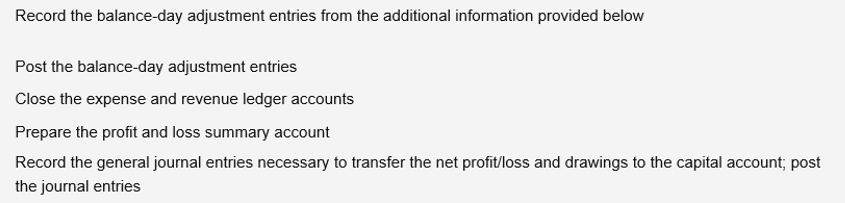
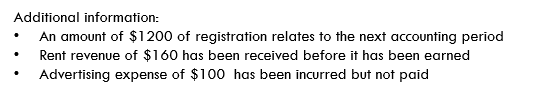
**Task 1 for submission**

*Part A addresses* ***Unit Objective 2 - Apply accounting principles and processes relating to accounting and end-of-month reporting for a trading GST business.***

**Part A**

**Apply** accrual accounting principles and processes for a trading GST business to:





*Part B addresses* ***Unit Objective 1 – Comprehend accounting concepts, principles and processes relating to accounting and end-of-year reporting for a trading GST business.*** *The cognitive verbs* ***describe*** *and* ***explain*** *are components of* ***comprehend*** *ie to show your comprehension of a concept, principle or process, you must explain and/or describe the concept, principle or process.*

**Part B**

In 100 – 150 word paragraphs:

* 1. **Describe:**
  1. accrual accounting

The accrual basis of accounting recognises transactions and events when they have an economic impact on the entity rather than when the associated cash flows occur. This means that assets, liabilities, revenues and expenses arising from transactions or other events will be recognised in the financial statements of an entity when the effects occur (ie when revenue is earned and expenses are incurred), rather than when amounts are received or paid. The adoption of accrual accounting will result in balance day adjustments being made to ensure the assets liabilities, revenues and expenses are recognised in the correct reporting period.

* 2. **Explain** the relationship between:
  1. the going concern principle and accounting period concept

The going concern principle assumes that a business will continue operations indefinitely and will not be liquidated in the foreseeable future. An absolutely accurate profit determination can be made only after the liquidation of a business, when it ceases operating. However, many parties are interested in the performance of an organisation eg owners and the ATO. They cannot wait until liquidation occurs. This leads to the accounting period concept, which assumes that the life a business is divided into arbitrary time periods for the purpose of determining profit. Accounting periods are generally a month, quarter, six months or a year.

* 1. gross profit and net profit

Gross profit (or gross loss) is the difference between the revenues earned from the sale of inventories and the cost of goods sold. The gross profit figure must be at a sufficiently high level to enable other expenses to be paid while still providing the owner with an acceptable return on the capital invested (net profit).

Net profit (or net loss) is the final profit or loss made by a business after taking into account all revenues and expenses for an accounting period. Net profit (or net loss) is calculated in the Statement of Profit or Loss as follows: Gross profit + Other revenue – Other expenses.