**Task 1 for submission**

*Part A addresses* ***Unit Objective 1 – Comprehend accounting concepts, principles and processes relating to managing resources and fully classified financial statement 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 A**

In 50 – 100 word paragraphs:

1. **Describe:**

1. balance day adjustments and their purpose

Adjustments need to be made to some accounts because transactions do not always fit neatly into an accounting period. Balance day adjustments are general journal entries which facilitate a better matching of revenue and expenses and therefore ensure a more accurate profit (or loss) figure for the accounting period in question. This is essential because the financial statements will be used by interested parties as a basis for future decisions about the business. BDA are carried out on balance day (usually 30 June) before the preparation of the Statement of Profit or Loss and Statement of Financial Position.

1. provision for doubtful debts

The provision for doubtful debts account is a negative asset account which records debts that are unlikely to be collected. It has the effect of reducing the accounts receivable value in the Statement of Financial Position. This is done so that a more realistic accounts receivable figure is used. The value of the provision for doubtful debts is deducted from the accounts receivable in the Statement of Financial Position.

1. three reasons why balance day adjustments are needed

Some reasons why balance day adjustments are needed are: (any three)

* Some daily events occur that are not recorded daily eg it isn’t practical to pay employees daily; supplies may be used daily, but not tracked daily
* Transactions relating to external parties which are unrecorded eg bank interest earned for a month, but not received
* Events where the future economic benefit is used up over time eg insurance is treated as an asset and for each month, the expense is brought to account (used up); the cost of an asset being allocated over its useful life (depreciation)
* Current assets shown at a realistic amount eg accounts receivable is reduced by the estimated amount that may be bad

*Part B addresses* ***Unit Objective 2 – Apply accounting principles and processes relating to managing resources for a trading GST business.***

**Part B**

**Refer to ex 2.12 on page 108 of the text book**

