L1

Do the examples while reading

Read both ch. 1 and 2

Grab learning objectives from the slide to make sure that you understand all of it, also to be helpful

Go through **ALL** classes and take out definitions into a separate glossary

Three financial reports:

- Balance sheet
- Income statement
- Statement of cash flow

Be sure to look for “scales” e.g. A$M somewhere

Net assets = assets - liabilities

Grab proper definitions from chapter 1 for assets, liabilites, etc., then come up with easier to remember ones

Equity = Assets - Liabilities, “Net Assets”

L2

fin ch 1 and get 2 from somewhere

Quiz next week ch 1 and 2

Total Assets = Total Liabilities and Equity

be able to define asset, liability and equity

Be sure that balance sheets balance in each row if using a worksheet. But don't add lines together it would seem, add up at end.

30000 = 30000

–28000 + 28000 = 0

+5000 = B(5000)

–4000 + 4000 = 0

–1000 = B(–1000)

= 2000 + 4000 + 28000 = 4000 + 3000

= 34000 = 34000 (tick!)

Curren Assets: (in order of being turned into cash)

Cash 2000

Non-current Asset

——————

Inv 4000 6000

Veh 28000 28000

————

Total Assets 34000

Current Liability

——————

Borrowing 4000

————

T Liab 4000 4000

Non-cur L 0 4000

Net Assets = 30000

Capital = 30000

Debit: Increase in assets, decrease in liabilities

Credit: Increase in liabilities, decrease in assets

Shareholder's Equity:

BS Limitations:

- It is only concerned with one point in time
- Only provedes past information
- Limitations from value assumptions
- (The monetary unit assumption
- mixed model but maily historical cost assumption)
- Accounting principles and rules allow accountants considerable discretion when it comes to deciding how to record transactions.

Ending retained profits = Beginning retained profits + profits this period - losses this period - dividends thi period

Next week: Measuring financial position

L3

nigga u fucked for the quiz today

Measuring Financial Performance

Each transaction can be recorded as a devit or a credit describing the change in the balance sheet account

read ch3? check course outline for erading.

COGS=cost of goods sold

Credit payments go into *Accounts Receivable*.

Control, future benefit, past transactions.

No. debits = no. credits

“Income Statement for X for Month of _____”

Purpose of the income statement is to mearsure and report how much profit the business has generated ovar a period.

Income= Revenue + Gains

- increases in economic benefits
- in the form of increases in assets or decreases in liabilities
- results in increases in equity
- excludes contributions

Revenues represent the gross inflows of economic benefits from ordinary activities

Gains represent net inflows normally from non-ordinary activities.

Point of Sale is the point in time that customer gets the goods (for revenue)

Formats of IS: descriptive and functional.

Sales within company group have to be ignored

Grab definitions from lecture slides

read 3 and 4

L4

yeah oops actual studying begins once crux is working, but cooking, cleaning, jaques, other stuff comes before that

REALLY NEED TO READ THIS SHIT JUSTIN

Record Keeping System to Support Financial Reporting

Need to elimnate sales within the group

Accounting Cycle: (Source Documents -> Journals -> Ledgers) -> Trial Balance -> Adjusting Journal Entries -> Closing Journal Entries -> Post-Closing Trial Balance -> Financial Statements = During accounting period

[] = after accounting period

Chart of Accounts: Represents listing of all accounts in the general ledger. Identified by specific number, usually contained in accounting manual.

(Grab all of the debit/credit stuff from the slides)

Dr PPE 100 000

Cr Cash 100 00

ex. 2 f year depreciation

Dr Depreciation 18000

Cr Accumulated Depreciation 1800

Steps to

For services provided, cr *unearned* revenue, then after the service has been provided, dr un. rev. and cr fees rev (etc.)

Rewatch this after you've done the reading/

Closing: Resetting accounts so that an acccurate report of financial performance is reliable and not biased

read ch. 3 4 and 5 by next lecture

L5

Accrual accounting - Business Reporting of Financial Position and Financial Performance.

All this stuff so far is the focus of the mid-term exam, so re-read it all (the important parts at least) so that you actually understand it

Mid-sem Wed 30 March, 6PM. Need to bring: sudent card, pencil, calc, ruler. Closed book, so again, actually learn this stuff.

Supposedly 20 MC questions, and 2 ER

Revenue from point of sale

Expenses when (defs on p 57,58,185), more advanced defs in chapter 6 and 13

```
|Accruals | Deferrals|
|--|--|-:|
```

Revenues Acc. rev (asset) Unearned rev (liability)

Expenses Acc. exp (lia)

eatch expenses into the same period as

Match expenses into the same period as

prepayment acc for cash inflow prior to rev and exp, Dr Prepaid, Cr Cash -> Dr Expense, Cr Prepaid

Work performed but not yet paid = Dr Wages Wxpense, Cr Accrued Wages

Payment made = Dr Accrued Wages, Cr Cash

Cash received in advance: Dr Cash, Cr Unearned Revenue (<- liability)

Performed = Dr Unearned Revenue, Cr Fees

Allowance for doubtful debts

1. *Creating*

   Dr Doubtful debts expense
   Cr Allowance for doubtful debts

2. *Writing off a bad debt*

   Dr Allowance for Doubtful debts
   Cr Accounts receivable

L6

Financial Statement Analysis

A process of selecting, evaluating, and interpreting financial data, along with other pertinent intformation, in order to formulate an assessment of a company's present and future financial condition and performance.

Concepts of profitability efficiency, liquidity, leverage

NO TUTORIALS IN WEEK 7

Melville Hall for this, econ and finance

Reading ch 6.1 to 6.3 helps with content in chapters 1 to 5, also ch 15, but no test of calculating ratios, apparently only 1 to 2 multiple choice questions, for ch 15.

USE STUDY GUIDE, Look at that! Practice Exam on wattle, ave a crack at that lad

Whack your student number and name on answer card, dark pencil for this as well. Perhaps pick up one especially when shopping next.

One statement for part B, income or balance sheet. Journal entries, post to pledger accounts (T or worksheet), and a correct financial report

Part C, short answer. Only 10 marks, so don't spend too much time on this one.

No questions during the exam. Mark in any assumptions needed on the answer book, for e.g. ambiguous stuff.

Need to learn about the enterprise, industry

Then financial analysis can be performed

Find comparative information

Integrate and organise the analysis

Draw conclusions

Consult from 2pm until 4pm for Tessa

Net Assets = **Equity** = Assets - Liabilities

L7

Statement of Cash Flows

- Reports firm's generation and use of cash
- Supplements accrual accounting

- Future cahsh flows used by analysts for input to valuation models

  59% avg in mid sem, got avg for section C!!!!!!!!!!!!!

  Next week, Chapter 7 Internal Control and Cash, and Chapter 9 inventory

  etra tute available thur 1–2, copland G030 (this sounds like a very good idea indeed)

  top score 95 (fuck off)

I guess aim for that, that'd be rad

Quiz 3 due next tuesday (it looks really lame…………………..)

Check orginality report on Turnitin so that I don't get rekt

All of chapter 14 assesible (something about 14.8)

Classification of cash flow transactions available in lecture slides

Statement of cash flows excludes non-cash investing and financing activities, such as (slides)
3 Categories: Operating, Investing, Financing

L8

Indirect method cash flow, Managing Cash and Internal Controls, Accounting for and Managing Inventory

Techniques to manage shit

Chapters for M1 and M2 on Wattle

+CLICAD = Add on, Current Liabilities increases, Current Assets decreases.

Don't examine 7.5 petty cash, 7.6 annual report disclosures

Credit on bank statement = +ve, i.e. deposit/positive balance

L9

Catching up on working capital

Starting on Managerial Accounting

Exam (possibly) on Thursday 9/6/16, 9 am, 3 hours

read chapters 10 (non-current assets) and chapter 12 (completing the balance sheet).

Inv control

Two systems: perpetual, periodic

Two cost flow assumptions: FIFO, weighted average (not LIFO)

Valuation: Lower of cost or Net Realisable Value

Perpetual: update for every purchase and sale

Periodic: count inventory at end of period. COGS = beginning + purchases - ending

Periodic: weighted average: total cost of goods available for sale for a period / total number units available for sale for a period

NRV (market value) < cost because of:

- obsolescence
- lack of demand, falling prices
- uncompetitive production costs

- damage, product size or colour
  rule applied at item/product level (not total inventory)

Levels of control follows “ABC” system

Categ. A: high levels of control, high-value, low-volume items

Categ. B: lower levels of recording wold apply to lesser-value, higher-volume items

Categ. C: lowest levels of control and recording would apply to low-value, high-volume items

Just In Time approach

- Zero inventory *if possible*
- Just In Time, order only when needed
- Minimize inventory holding costs
- Work with suppliers
- **But** consider out-of-stock costs

Accounts receivable (not examined), Which customers should receive credit?

5 C's of credit

Capital

Capacity

Collateral

Conditions

Character

Pay within terms, but not early, not late (for managing accounts payable)

Policy on when to take discounts for early payment

The Cash cycle is

The time from the payment of goods purchased for manufacture or resale to receipt of cash for final product or resale

Improves with faster collection of recivables, faster inventory turnover, slower payment of payables

For next: managerial accounting

L10

Target Profit = (Fixed Costs + profit) / Cost Margin

Full Product Costs

Need information about costs:

- to control costs
- to aid planning
- to value inventories
- to aid in setting selling prices

- to ascertain the relative profitability of products

Full costing is concerned with all costs involved with achieving some objectives

Full cost is total amount of resources, usually measured in monetary terms, sacrificed to achieve a particular objective

For full cost in a single service/product firm, add all of the cost of production and divide by the number of units produced

For multi product/service operation, costs are split into two categories:

1. direct costs

2. indirect costs

   Direct Cost: a cost that can be traced easily and accurately to a cost object, e.g. the cost of tyres for a car
   A **cost object** is an object for which costs are measured and assigned, like:
3. a product
4. a customer
5. a department
6. a project
7. an activity, e.g. setting up equipment

Indirect Cost: a cost that cannod be traceed easily and accurately to a cost object, or is not economically feasible to do so, e.g. factory heating and lighting cost to a multi-product firm

The full cost of a cost object is the fum of direct cost and a fair share of indirect costs

Direct and indirect different to fixed and variable costs

Absorption costing system

Absorption rate = total overheads / level of activity

Overhead rate = costs/ allocation base

STAY AWAKE JUSTIN PLEASE NO FALLING RSLEPP

Activity Based Costing

L12

Capital Investment Decisions

PV = FV/(1+r)^n

exam details next lecture, two practice exams on wattle so have a gander at those sooner rather than later because that would be bad going in with abosolutely now

do the surveys

Four methods to use:

1. accounting rate of return
2. payback period
3. net present value
4. internal rate of return

Accounting rate of return = Average Net Profit After Tax / Average Investment

Average Investment = (intial + residual)/2

Payback Period = Initial Cash Outlays / Annual Net Cash Flows

L13

Important: income statements, balance sheets, cash flow statements

Key terms: assets, liabilities, equity, revenue, expenses, income, profit

GAAP, IFR, AASB

accrual accounting, cash accounting

accounting for: timing differences between revenue and cash receipt, expenses and cash payments, sales and bad debts

Financial statemnt analysis not directly examinable, no assessment of ratios

statement of cash flows in multiple choice questions, definitely direct method, possibly indirect method

know the concept of activity based costing

capital investment decisions

don’t need to calculate internal raeo of return on exam

bring student card, hb pencil, ruler, eraser, calc, brain (optional)