

# INDEX

- AASB *see* Australian Accounting Standards Board
- ABC *see* activity-based costing
- ability to acquire capital 515
- ABM *see* activity-based management
- ABN *see* Australian business number
- absorption costing 845, 863  
statement of profit or loss 846
- absorption vs. variable costing 845–8  
comparison of statements of profit or loss 846–7  
rationale for variable costing 848
- account 84–5
- accelerating cash receipts 387–9
- accountability for assets 290
- accountants 877
- accounting 5, 56  
budgeting and 877–8  
diverse roles of accountants 5–7  
for GST 210–15  
introduction 2–4  
language of business 4–7  
for private issue of shares 519–20  
process 5
- accounting controls 287
- accounting cycle 159–61  
accounting software to complete 160–1  
for a manufacturing entity 755–60  
steps in 160
- accounting entity concept 35, 56, 687, 721
- accounting for impairments 429–30
- accounting for intangible assets 435–7
- accounting for leases 482–5
- accounting for loans payable by instalment 477–80
- accounting for receivables 372–3
- accounting information system 78, 294  
basic concepts of 284–5  
computerised 306–7  
developing 285–6  
principles of 285
- accounting period concept 35, 56, 134, 165, 687, 721
- accounting procedures 786–7  
assigning costs to cost of sales 787  
assigning costs to finished goods inventory 787
- assignment of manufacturing costs 792–4  
equivalent units 794–6  
factory labour costs 786  
factory material costs 786  
manufacturing overhead 786
- accounting transactions  
analysing transactions 79–83  
and events 78–84  
summary of 83–4
- accounting standard for revenue recognition 137–8
- accounts payable  
analysis of 573  
change in 580
- accounts payable (suppliers') subsidiary ledger 300, 326
- accounts receivable 14, 56, 372, 394  
analysis of 571  
change in 579–80  
valuing 374–83
- accounts receivable (customers') subsidiary ledger 300, 326
- accrual accounting concepts  
accounting cycle 159–61  
adjusted trial balance and financial statements 155–7  
adjusting entries for prepayments 141–55  
adjusting entries — using a worksheet 161–4  
basics of adjusting entries 140–1  
revenue recognition criteria 136–40  
timing issues 134–6
- accrual-based accounting 135, 165, 704, 721
- accruals 147
- accrued expenses 141, 149–52, 165
- accrued expenses payable  
change in 580–1
- accrued interest 149–50
- accrued revenues 141, 148–9, 165
- accrued salaries 150–2, 155
- accumulated depreciation 420, 449
- ACN *see* Australian company number
- active market 436, 449
- activity 801, 816
- activity cost pools 801, 816
- activity index 840, 863
- activity-based costing (ABC)  
activities and cost drivers 801  
benefits of 806–7  
limitations of 807  
in manufacturing industries 801–4  
need for new costing system 800–1  
in service industries 804–6  
switch to 807  
traditional costing systems 799–800
- activity-based costing (ABC) 801, 805–6, 816
- activity-based management (ABM) 753, 761, 808, 816
- additions and improvements 429, 449
- adjusted trial balance 155–7, 165  
preparing 155–6
- adjusting entries 140, 165  
for accruals 147–52  
categories of 141  
for prepayments 141–55  
types of 141  
using worksheet 161–4
- administrative controls 287
- ageing the accounts receivable 378, 394
- agricultural activity 439, 449
- agricultural assets 439–41
- agricultural produce 440, 449
- allotment 520, 543
- allowance method 374–6, 394
- allowance, estimating 378–9
- alternative accounting methods 648
- amortisation 436, 442, 449, 450
- amortised cost method using the effective interest rate 477
- analysing and managing receivables 384–9  
accelerating cash receipts 387–9  
establishing payment period 384–6  
evaluating receivables balance 386–7  
extending credit 384
- analysing transactions 79–83  
borrows money from a bank 80  
hiring of new employees 83  
issues shares for cash 80  
payment of cash for employee salaries 83  
payment of dividend 83  
payment of insurance in cash 82  
payment of rent in cash 82  
purchase of office equipment for cash 80–1  
purchase of supplies on credit 82–3  
receipt of cash in advance from customer 81  
renders services for cash 81–2
- analysis and decision making 40–1
- annual report 29, 56
- application 520, 543
- artificial intelligence 441
- ASIC *see* Australian Securities and Investments Commission
- asset turnover 445–9, 643–4, 653
- assets 16, 56  
definition 704–5, 721  
recognition criteria 705–6
- assigning costs to cost of sales 787
- assigning costs to finished goods inventory 787
- assignment of manufacturing costs 792–4  
factory labour costs 792–3  
manufacturing overhead costs 793–4  
materials costs 792
- associations 9, 56
- assumptions, concepts and principles  
accounting entity concept 35  
accounting period concept 35  
full disclosure principle 36  
going concern assumption 35–6  
historical cost principle 36  
monetary principle 35
- ASX *see* Australian Securities Exchange
- atypical data 649
- AUASB *see* Auditing and Assurance Standards Board
- audit 6, 56
- Auditing and Assurance Standards Board (AUASB) 33, 56

- auditor 30, 56
- auditor's report 30–1
- Australian Accounting Standards Board (AASB) 33, 56
- Australian business number (ABN) 517
- Australian company number (ACN) 517
- Australian Securities and Investments Commission (ASIC) 32, 56
- Australian Securities Exchange (ASX) 33
- average age of PPE assets 444–5, 450
- average collection period 386, 387, 395, 638, 653
- average cost 254–5
- average cost method 247, 263
- average days in inventory 639, 653
- average useful life 443–4, 450
  
- bad debt write-off 379–81
- bad debts expense 374, 376, 377, 395
- balanced scorecard 753, 761
- bank loan 97
- bank reconciliation 358–64
  - illustrated 361–4
  - reconciling the bank account 360–4 statement 364
- bank statement 358, 359, 395
- basic accounting equation 19, 56
- basics of adjusting entries 140–1
- batch-level activities 809, 816
- benchmarking 755, 761
- big data 3–4
- biological asset 439, 450
- blockchain-based share trading 518–19
- bonds *see* unsecured notes
- bookkeeping 5, 56
- borrowing costs 467, 498
- borrow money from a bank 80
- brand name 438
- break-even analysis 850–3
  - contribution margin technique 851–2
  - graphic presentation 852–3
  - mathematical equation 850–1
- break-even point 850, 863
- break-even sales 857–8
- budget 877, 914
  - and accounting 877–8
  - basics 877–9
  - benefits 878
  - cash budget *see* cash budget
  - direct labour budget 882
  - direct materials budget 882–3
  - essentials of effective 878
  - manufacturing overhead budget 883–4
  - master budget *see* master budget
  - in non-manufacturing entities 891–2
  - period 879
  - process 879
  - production budget 881–2
  - sales budget 881
  - selling and administrative expense budget 884–5
  - vs.* long-range planning 879
- budgetary control 892–4, 914
  - static budget reports 893–4
- budgeted financial statements 879, 914
- budgeted overhead rate 785, 817
- budgeted statement
  - of financial position 889–90, 914
  - of profit or loss 889, 914
- budgeted variable costs 896
- burden *see* manufacturing overhead
- business activity statement (BAS) (GST return in New Zealand) 209, 216
- business context 414–15
- business context for equity 513
- business organisation 7–10
  - company 8–9
  - not-for-profit organisations 9–10
  - other forms of 9
  - partnership 8
  - sole proprietorship 7–8
- business transactions and cash 353–4
- business world 2–4
  
- calculation of purchases 573
- call on capital 520, 543
- Campus Café & Catering Ltd
  - cash budget 369
  - materials budget 368
  - sales budget 368
  - selling and administrative expense budget 368
- capital expenditure 416
- capital expenditure ratio 588–9, 596
- capitalising *vs.* expensing 417
- carrying amount 145, 165, 420, 450
- cash 353
  - assessing cash adequacy 370–2
  - bank reconciliation 358–64
  - business transactions and 353–4
  - credit and electronic banking 355
  - and credit transactions 353–4
  - internal control over 355–8
  - major accounting transactions on 354
  - managing and monitoring 365–70
  - safeguarding and managing 355–8
- cash account 363
- cash adequacy 370–2
- cash budget 367–70, 885, 887, 914
  - based on an Excel template 888
  - basic form of 885
- cash debt coverage 49, 56, 590, 596, 640–1, 653
- cash dividend 522–3, 543
  - entries for 523
- cash flows
  - assessing liquidity, solvency and profitability using 589–95
  - classification of 561–5
  - free cash flow 586–95
  - product life cycle 585
  - statement of 560–1
    - completing 577–8
    - format of 563–4
    - preparing 566–84
    - usefulness of 564–5
  - to evaluate an entity 585–6
- cash over and short 391, 395
- cash payments
  - for income tax 576
  - major classes 570
  - for operating expenses 574–5
- cash payments journal 318–20, 326
  - journalising 319
  - posting 319–20
- cash payments section 367, 886
- cash payments to suppliers 573–4
- cash receipts
  - accelerating 387–9
  - from customers 570–2
  - major classes 570
- cash receipts journal 312–24, 326
  - journalising 313
  - posting 313, 315
- cash receipts section 367, 886
- cash return on sales ratio 591, 596, 645, 653
- cash sale 295
- cash-based accounting 134, 165
- cash-generating unit 429, 450
- CEO *see* chief executive officer
- Certified Practising Accountant (CPA) 34
- change in accounting estimates 528, 543
- change in accounting policy 529, 543
- change in accounts payable 580
- change in accounts receivable 579–80
- change in accrued expenses payable 580–1
- change in income tax payable 581
- change in inventory 580
- change in prepaid expenses 581
- chart of accounts 113, 93
- checking the ledgers 312, 315
- chief executive officer (CEO) 516, 543
- chief financial officer (CFO) 6, 56
- CIM *see* computer-integrated manufacturing
- class of non-current assets 430, 450
- classified statement of financial position 21–2, 56
- closing entries 158–9, 165, 757–60
  - journalised 158
  - posting 159
- closing entries for merchandising entities 258–62
  - periodic inventory method 259–61
  - perpetual inventory method 258–9
  - worksheet 261–2
- cloud computing 308–9
- CM *see* contribution margin
- collection from customers 368, 886
- commercial accountants 6, 56
- commercial accounting 6
- Companies Act 1856 31
- company 8–9, 56, 514, 543
  - advantages and disadvantages of 516
  - forming 517
  - management 515–16
  - organisation 515
- comparability 38, 56, 700–2, 721
- comparative analysis 627
- computer-integrated manufacturing (CIM) 752
- computerised accounting information systems 306–7

- advantages and disadvantages of 308–9
- basic features 307
- computerised inventory systems 193–4
- Conceptual Framework* 10–12, 56, 690–4, 721
- general purpose financial reporting 11
- other users 695–6
- overview of 691–2
- primary users 694–5
- reporting entity 11–12
- consigned goods 241, 263
- consistency 700
- constraint on financial reporting 38–9, 703–4
- contingent liabilities 486, 498
- continuous life 515
- contra account 420, 450
- contra asset account 145, 165
- contra revenue account 201, 216
- contract interest rate 473, 498
- contributed equity 519, 543
- contribution margin (CM)
  - formula for and calculation of 849
- contribution margin (CM) 849, 863
- contribution margin per unit 849
- contribution margin ratio 849
- contribution margin technique 851–2, 855
- control account 301, 326
  - and subsidiary ledgers 301–3
- controllability of the item 901
- controllable cost 902, 914
- controllable margin 907, 914
- controllable vs. non-controllable revenues and costs 902
- controlling, management function 741
- conversion costs 743, 761
- cooperative 9, 56
- copyright 438, 450
- corporate form of organisation 514–18
- corporate governance 288, 326
- corporate governance statement 29, 56
- corporation 514, 543
  - characteristics of 514–16
- COS *see* cost of sales
- cost 416, 421, 450, 648
- cost accounting 779–82, 817
  - job order costing 780–2
  - non-manufacturing entities 780
  - overhead application 780
  - process costing 780–2
- cost behaviour analysis 840–5, 863
  - fixed costs 842–3
  - mixed costs 844–5
  - variable costs 840–2
- cost concepts 748–50
- cost constraints 38, 56
- cost driver 780, 817
- cost flow assumptions 244–8
- cost of delivery truck 418
- cost of factory machinery 418
- cost of goods available for sale 241, 244, 263
- cost of goods manufactured 746–50, 756, 761
- cost of goods purchased 239, 263
- cost of goods sold *see* cost of sales
- cost of land 417
- cost of sales (COS) 191, 216, 238, 263, 739, 761
  - components 744
  - determining cost of goods purchased 239
- cost of sales (COS) 746–50
- cost-volume-profit (CVP) analysis 848, 863
  - basic assumptions 848–9
  - break-even analysis 850–3
  - margin of safety 854
- cost-volume-profit (CVP) graph 852, 863
- counting the physical inventory 240
- CPA *see* Certified Practising Accountant
- credit and electronic banking 355
- credit card 353, 355
  - to retailer 388
  - sales 388–9
- credit risk 384, 395
- credit risk ratio 384, 395
- creditors 586
- CRM *see* customer relationship management
- current and non-current components of long-term debt 480–1
- current assets 22–3, 56
- current cash debt coverage 47, 56, 589, 596, 637, 653
- current cost 713
- current liabilities 24, 56, 466–7, 498
- current ratio 45–6, 56, 636, 653
- current statement of profit or loss 566
- current value 713
- customer relationship management (CRM) 754
- CVP analysis with multiple products 857–9
  - break-even sales 857–8
  - limited resources 858–9
- CVP for profit planning 855–7
- CVP statement of profit or loss 860–3
- data analytics 754
- data visualisations 754
- days in inventory 251, 263
- debentures 472–3, 498
  - accounting for issues of 474–5
  - market value of 473–4
  - redeeming at maturity 475
  - redeeming before maturity 475–6
- debit 85, 113
- debit and credit 85–9
  - equity relationships 88–9
  - expansion of the basic accounting equation 89
  - procedures 86–8
  - procedures for assets and liabilities 86
  - procedures for equity 86–8
- debt to equity ratio 640
- debt to total assets ratio 48–54, 56, 639–40, 653
- debt vs. equity financing decision making 539–42
- decentralisation 901, 914
- decision 2, 56
- decision making 414–15
  - for equity 513
- decision-usefulness objective 693
- declaration date 523, 543
- decline phase, cash flows 586
- depletion 442, 450
- depreciable amount 422, 450
- depreciation 24, 144–5, 165, 420–2, 450
  - comparison of methods 426–7
  - diminishing-balance depreciation 424–5
  - disclosure in the notes 426–7
  - factors in calculating 421–2
  - methods 422–8
  - patterns of 427
  - policies 427
  - revising periodic depreciation 427–8
  - straight-line depreciation 422–3
  - units-of-production depreciation 425–6
- depreciation expense 581
  - and loss on sale of equipment 575–6
- differential financial reporting 697–8
- differential reporting 697, 721
- diminishing-balance depreciation 424–5, 450
- direct debit 318, 326
- direct fixed costs 906, 914
- direct labour 743, 761
- direct labour budget 882, 914
- direct materials 742, 761
- direct materials budget 882–3, 914
- direct method 563, 596
- direct write-off method 374, 395
- directing and motivating, management function 741
- directors' report 29–30, 56
- discontinued operation 530, 543
- discount allowed 202, 216
- discount received 197, 216
- discounting 473, 498
- disposing of notes receivable 382–3
  - exchanging notes receivable 382–3
  - honouring notes receivable 382
- diverse roles of accountants 5–7
- diversification 649–52
- dividend 14, 56, 87, 522–5, 543
  - cash dividends 522–3
  - record 537–9
  - share dividends 523–5
- dividend payout 537, 543
- dividend payout rate 646–7, 653
- documentation procedures 290
- double-entry system 86, 113
- due process 721
- earning power 525–31, 543
- earnings before income tax and interest expense (EBIT) 492, 640
- earnings per share (EPS) 645, 653
- earnings performance 539
- EBIT *see* earnings before interest and tax
- economic sustainability 755
- effective budgeting 878

- EFTPOS *see* electronic funds transfer at point of sale (EFTPOS)
- EFTs *see* electronic funds transfer
- electronic banking 353, 355
- electronic funds transfer (EFTs) 395
- electronic funds transfer at point of sale (EFTPOS) 353, 355
- electronic funds transfers (EFT) 312, 318, 326
- electronic funds transfers (EFTs) 356, 363
- elements in financial statements 704, 721
- end of the reporting period 35, 56
- enhancing qualitative characteristics 38, 700–3
- comparability 700–2
- timeliness 702
- understandability 702–3
- verifiability 702
- enterprise performance management (EPM) 753–4
- enterprise resource planning (ERP) 194
- entity life cycle 585–6
- EPM *see* enterprise performance management
- EPS *see* earnings per share
- equity 16, 19, 56, 707, 721
- reporting on 531–6
- equity relationships 88–9
- equivalent units 794–6
- of production 795, 817
- weighted-average method 795–6
- ERP *see* enterprise resource planning
- errors 526–8
- establishment of responsibility 288–9
- estimates 648
- allowance 378–9
- ethical standards for management accountants 740–1
- evaluating receivables balance 386–7
- exchanging notes receivable 382–3
- expansion of the basic accounting equation 89
- expense recognition criteria 138–40, 166
- expenses 15, 56, 87–9
- definition 710, 721
- recognition criteria 710–13
- extending credit 384
- eXtensible business reporting language (XBRL) 701
- External Reporting Board (XRB) 34, 56
- external users 291
- external users of accounting information 14
- face value 467, 498
- facility-level activities 809, 817
- factor 388, 395
- factory labour costs 786, 792–3
- factory material costs 786
- factory overhead *see* manufacturing overhead
- fair value 416, 450, 713
- faithful representation 38, 56, 700, 721
- FIFO method 245–6, 253–4, 263
- finance lease 419, 450, 482–4, 498
- financial accounting 3, 56
- vs.* management accounting 740
- financial controller 516
- financial information, users and uses of 12–15
- financial position, statement of 745–6
- Financial Reporting Council (FRC) 33, 56
- financial reporting environment 31–5
- Australian Accounting Standards Board 33
- Australian Securities and Investments Commission (ASIC) 32
- Australian Securities Exchange 33–4
- Financial Reporting Council (FRC) 33
- professional accounting bodies 34–5
- regulation in New Zealand 34
- financial reports
- constraint on 703–4
- definition, recognition and measurement of elements 704–13
- development in 715–19
- measurement of the elements of 713
- qualitative characteristics and constraint on 698–704
- users and uses of 694–6
- financial statement analysis 537–9
- comparative analysis 627
- dividend record 537–9
- earnings performance 539
- horizontal analysis 627–32
- limitations of 647–52
- liquidity ratios 489–92
- ratio analysis 635–47
- solvency ratios 492–6
- vertical analysis 632–5
- financial statements 16–31, 56, 155–7
- analysing 39–54
- effects of cost flow methods 248–50
- interrelationships between the statements 21–31
- manufacturing costs in 744–5
- preparing 156–7
- presentation of receivables 383–4
- statement of cash flows 20–1
- statement of changes in equity 19
- statement of financial position 19–20
- statement of profit or loss 18
- financial year 134, 166
- financing activities 14, 561, 596
- financing section 367, 886
- finished goods inventory 235, 263
- fixed assets 14
- fixed costs 842–3, 863
- importance of identifying 844–5
- relevant range 842–3
- flexible budget 894–901, 914
- case study 898–9
- developing 897
- management by exception 900–1
- reports 899–900
- flexible manufacturing overhead budget report 896
- FOB (free on board) shipping point 241, 264
- FOB destination 241, 263
- forensic accounting 293, 326
- forms of business organisation 7–10
- franchise 439, 450
- FRC *see* Financial Reporting Council
- free cash flow 586–96, 641, 653
- calculation of 587
- capital expenditure ratio 588–9
- estimate of 587
- freight costs 196–7, 237
- freight-in 196, 216
- freight-out 197, 216
- fulfilment value 713
- full disclosure principle 36, 57, 688–90, 721
- fundamental qualitative characteristics 37–8
- faithful representation 38, 700
- relevance 37–8, 698–700
- GAAP *see* generally accepted accounting principles
- gain on sale 433
- gain/loss on sale of non-current assets 581–2
- GDP *see* gross domestic product
- general journal
- effects of special journals on 320–4
- journalising and posting 321
- general journal 92, 113
- general ledger 94, 113
- general purpose financial reports (GPERs) 11, 57, 721
- general purpose financial reports (GPFRs) 692–4, 697
- Conceptual Framework* 693–4
- decision-usefulness objective 693
- generally accepted accounting principles (GAAP) 686
- integrating 715
- summarising 714–15
- generally accepted accounting principles (GAAP) 31, 39, 57, 721
- globalisation 751–2
- going concern assumption 35–6, 57, 687–8, 721
- Gold Coast City Council (GCCC) 892
- goods and services tax (GST) 566
- accounting for 210–15
- on non-current assets 418–19
- overview 208–10
- goods and services tax (GST) 208, 216
- goods in transit 240–1, 264
- goodwill 439, 450
- government 10
- government accountants 6, 57
- government accounting 6
- government and other regulations 516
- government entities 892
- GPFRs *see* general purpose financial reports
- greenhouse gas accounting 755, 761
- gross domestic product (GDP) 780
- gross profit 204, 216
- gross profit margin 644, 653
- gross profit ratio 205–6, 216

- growth phase, cash flows 585  
 GST-free supplies (zero rated supplies in New Zealand) 209  
 GST *see* goods and services tax
- hierarchy of activity levels 809–10  
 hiring of new employees 83  
 historical cost 713  
 historical cost principle 36, 57, 688, 721  
 honouring notes receivable 382  
 horizontal analysis 627–32, 653  
   of total group sales 628  
   statement of financial position 628
- IAS 7/AASB 107 Statement of Cash Flows 561, 563  
 IASB *see* International Accounting Standards Board
- impairment 429–30, 437  
   accounting for 429–30  
   reversal of 430  
 impairment loss 429, 450  
 implicit interest rate 483, 498  
 income  
   definition 708, 721  
   recognition criteria 709  
 income tax payable  
   change in 581  
 increase in equipment 577  
 increase in land 576  
 increase in notes payable 577  
 increase in ordinary shares 577  
 increase in retained earnings 577  
 incremental borrowing rate 483, 498  
 independent internal verification 291–2  
 indirect fixed costs 906, 915  
 indirect labour 743, 761  
 indirect manufacturing costs *see* manufacturing overhead  
 indirect materials 742, 761  
 indirect method 563, 596  
   adjustments for current assets and current liabilities 582  
   for determining cash flows from operating activities 578–84  
 industry averages 627  
 input tax credit 209, 216  
 input taxed supplies (exempt supplies in New Zealand) 209, 216  
 Institute of Public Accountants (IPA) 35  
 insurance 143–4  
 intangible assets 24, 57, 435, 450  
   accounting for 435–7  
   types of 437–9  
 integrated accounting systems 307, 326  
 integrated reporting 715–19  
 inter-entity basis 627  
 inter-entity comparisons 635  
   by vertical analysis 634  
 interest 467, 498  
 interest coverage *see* times interest earned  
 internal auditors 288, 326  
 internal control 286–7, 326  
   and forensic accounting 293  
   limitations of 292–3  
   management's responsibility for 287–8  
   over cash payments 356–7  
   over cash receipts 356  
   principles of 288–93  
 internal control over cash 355–8  
   cash payments 356–7  
   cash receipts 356  
   petty cash fund 357–8  
 internal control systems 286–7  
 internal sales order 295  
 internal users of accounting information 13  
 International Accounting Standards Board (IASB) 33, 57  
 Internet of things (IoT) 240  
 intra-entity basis 627  
 intra-entity comparisons 635  
 introductory stage, cash flows 585  
 inventory 191, 216  
   accounting for GST 210–15  
   analysis of 251–3  
   change in 580  
   classifying 235–8  
   cost flow methods 243–8, 253–6  
   determining quantities 239–41  
   effects on assets and equity 258  
   effects on profit 256–8  
   errors 256–8  
   evaluating profitability 205–8  
   goods and services tax 208–10  
   lower of cost and net realisable value 250–1  
   merchandising operations 191–4  
   perpetual vs. periodic inventory systems 238  
   recording purchases of 194–9, 236–7  
   recording sales of 199–203, 237–8  
   statement of profit or loss presentation 203–5  
 inventory cost flow methods 250  
 inventory systems 192–4  
   additional considerations 194  
   computerised inventory systems 193–4  
   periodic system 193  
   perpetual system 192–3  
 inventory turnover 251–3, 264, 638–9, 653  
 inventory write-down 201, 216  
 investing activities 14, 561, 596  
 investment centre 904, 915  
 investors 12, 57  
 IPA *see* Institute of Public Accountants  
 irregular items 525–31  
   changes in accounting estimates 528–9  
   changes in accounting policies 529–30  
   discontinuing operations 530–1  
   errors 526–8  
 issue price 473, 498, 518, 543  
 issues shares for cash 80  
   job cost flows 782–3  
   job cost sheet 784–91, 817  
   accounting procedures 786–7  
   determining overhead rates 785  
   non-manufacturing entities 789–90  
   process costing 790–1  
   reporting job cost data 787–8  
   under- or overapplied manufacturing overhead 788–9  
   job order cost system 781, 817  
   job order costing 780–3  
   job cost flows 782–3  
   job order vs. process cost systems 791  
 journal 92, 113  
   chart of accounts 94  
 journalising 92, 113  
 journalising cash payments transactions 318–20  
 journalising cash receipts transactions 314–15  
   credit columns 314  
   debit columns 314  
 journalising credit purchases of inventory 317  
 journalising credit sales 309–10  
 just-in-time (JIT) processing  
   benefits of 812–15  
   elements of 812  
   objective of 811–12  
 Justco Pty Ltd  
   bank reconciliation 361, 364  
   cash payments journal of 362  
   cash receipts journal of 361  
 JIT processing *see* just-in-time (JIT) processing
- key performance indicators (KPIs) 751  
 KPIs *see* key performance indicators
- LCNRV *see* lower of cost and net realisable value  
 lease 481–2, 498  
   accounting for 482–5  
   advantages 482  
   finance and operating 482  
 lenders 12, 57, 586  
 lessee 419, 450, 481, 483–4, 498  
 lessor 419, 450, 483–4, 498  
 liabilities 16, 19, 57, 480  
   definition 706, 721  
   recognition criteria 706–7  
 licences 439, 450  
 LIFO method 246–7, 254, 264  
 limitations of financial statement analysis  
   alternative accounting methods 648  
   atypical data 649  
   cost 648  
   diversification 649–52  
   estimates 648  
 limited liability 8, 57, 514, 543  
   of shareholders 514  
 limited resources 858–9  
 liquidity 44–8, 57, 589–90  
   current ratio 45–6  
   using the statement of cash flows 46–8  
   working capital 45

- liquidity ratios 44, 57, 489–92, 635, 653
- little or no deposit 419
- loans payable by instalment 476–81
  - accounting for 477–80
  - current and non-current components of long-term debt 480–1
- long-range planning 879, 915
  - vs. budget 879
- loss 15, 57
- loss on sale 433–4
- lower of cost and net realisable value (LCNRV) 250, 264
  
- major accounting transactions on cash 354
- management accounting 3, 57, 739, 762
  - basics 739–41
  - ethical standards for management accountants 740–1
  - evolution and improvements in 750–5
    - vs. and financial accounting 740
  - management by exception 900–1, 915
    - controllability of the item 901
    - materiality 900
  - management cost concepts 742
  - management functions 741–2
    - controlling 741
    - directing and motivating 741
    - planning 741
  - management's responsibility for internal control 287–8
  - managing and monitoring cash 365–70
    - basic principles 365–6
    - cash budget 367–70
  - manual accounting system 307, 326
  - manufacturing costs 742–3
    - direct labour 743
    - direct materials 742
    - in financial statements 744–5
    - manufacturing overhead 743
  - manufacturing overhead 743, 762, 786
  - manufacturing overhead budget 883–4, 915
  - manufacturing overhead costs 793–4
  - manufacturing processes 791
  - manufacturing summary account 757, 762
  - margin of safety 854, 863
  - market interest rate 473, 498
  - market value 473, 498
  - master budget 879, 915
    - components of 880
  - materiality 38, 57, 699, 721, 900
  - materials budget 368
  - materials costs 792
  - materials requisition slips 792
  - maturity phase, cash flows 586
  - measurement 5, 57, 713, 721
  - measurement basis 713, 721
  - merchandising entities 891
  - merchandising operations 191–4
    - inventory systems 192–4
    - operating cycles 192
  - mixed costs 844–5, 863
  - monetary principle 35, 57, 686–7, 721
  - monitoring collections 384–6
  - mortgage 476, 498
  - moving weighted average method 254, 264
  
  - natural resources 441–2
    - amortisation 442
  - net cash provided (used)
    - by financing activities 577
    - by investing activities 576–7
    - by operating activities 563, 568–76
  - net increase (decrease) in cash 568
  - net purchases 239, 264
  - net realisable value (NRV) 250, 264
  - net sales 203, 216
  - new management systems and concepts 752–5
    - data analytics 754
    - economic sustainability 755
    - enterprise performance management 753–4
    - final comment 755
    - quality 755
    - risk management 753
  - New Zealand Stock Exchange (NZX) 34
  - non-controllable costs 902, 915
  - non-current assets 14, 23–4, 57, 414
    - agricultural assets 439–41
  - non-current liabilities 24–5, 57, 472–6, 498
    - debentures *see* debentures
    - market value of unsecured notes and debentures 473–4
    - unsecured notes *see* unsecured notes
    - unsecured notes or debentures 472–3
  - non-manufacturing entities 780, 789–90
  - non-value-added activities 808, 817
  - not-for-profit accountants 6, 57
  - not-for-profit accounting 6–7
  - not-for-profit entity 6, 57, 892
  - notes payable 467–72, 498
    - payroll and payroll deductions payable 468–70
    - revenues received in advance 470–2
  - notes receivable 372, 381–3, 395
    - disposing of 382–3
    - exchanging 382–3
    - honouring 382
    - recognising 382
    - valuing 382
  - notes to the financial statements 29, 57
  - NRV *see* net realisable value
  - NZX *see* New Zealand Stock Exchange
  
  - objective of general purpose financial reporting 693, 721
  - operating activities 14–15, 561, 596
  - operating budgets 879, 880, 915
    - preparing 881–5
  - operating cycle 22, 57, 136, 166, 192
  - operating expenses 205, 574–5, 644–5
    - subgrouping of 205
    - to sales ratio 207–8, 216, 644, 653
  - operating lease 419, 450, 482–3, 498
  - ordinary repairs 428, 450
  - ordinary shares 14, 57, 517, 544
  
  - other revenue 204–5, 216
  - outstanding deposits 360, 395
  - outstanding EFT 360, 395
  - overapplied manufacturing overhead 788, 817
  - overhead application 780
  - overhead rates
    - calculating 802–3
    - determining 785
  - ownership of goods 240–1
    - consigned goods 241
    - goods in transit 240–1
  - ownership rights of shareholders 517
  
  - paid-up capital 519, 544
  - partial organisation chart 903
  - partial worksheet 756
  - partnership 8, 57
  - patent 437, 450
  - payment date 523, 544
  - payment of cash for employee salaries 83
  - payment of dividend 83
  - payment of insurance in cash 82
  - payment of rent in cash 82
  - payment period, establishing 384–6
    - monitoring collections 384–6
  - payments for direct materials 887
  - payments for materials 369
  - payroll and payroll deductions payable 468–70
  - performance evaluation 910–13
    - behavioural principles 910
    - reporting principles 910–13
  - period costs 743, 762
  - periodic inventory method 259–61
  - periodic inventory system 193, 216, 236, 264
  - permanent accounts 157, 166
  - perpetual inventory method 258–9
  - perpetual inventory system 192, 216
  - perpetual vs. periodic inventory systems 238
  - petty cash fund 357–8, 395
    - establishing 390
    - making payments from 390–1
    - operation of 389–93
    - replenishing 391–3
  - physical, mechanical and electronic controls 290–1
  - plan *see* master budget
  - planning 877
    - management function 741
  - plant and equipment 418
  - post-closing trial balance 159, 166
  - posting 113, 95
  - PPE assets
    - disposals of 432–4
    - sale of 433–4
    - scrapping of 434
  - PPE *see* property, plant and equipment
  - predetermined overhead application rate 785, 817
  - prepaid expenses 141–5, 166
    - change in 581
    - depreciation 144–5
    - insurance 143–4
    - supplies 142–3

- prepayments 141, 142
- present value 473, 498
- price/earnings ratio (P/E ratio) 645–6, 653
- prime costs 743, 762
- prior period errors 526, 544
- private placement 518, 544
- process cost flow 791–2
- process cost system 781, 817
- process costing, uses of 790–1
- product costs 743, 762
- product life cycle 585
- product-level activities 809, 817
- production budget 881–2, 915
- production cost report 797–9, 817
- professional accounting bodies 34–5
- profit 15, 57, 708
- profit centre 904, 915
- profit margin 42–4, 57, 643, 653
- profit or loss summary 158, 166
- profit vs. net cash provided (used) by
  - operating activities 579
- profitability 41–4, 591–5
  - gross profit ratio 205–6
  - operating expenses to sales ratio 207–8
- profitability ratios 42, 57, 635, 641–7, 653
- promissory note 381, 395
- property 416–17
- property, plant and equipment (PPE) 14, 24, 57, 415–20, 450
  - determining the cost of 416–20
- records 434–5
- proprietary company 514, 544
- prospectus 518, 544
- provision 485, 498
- public accountants 6, 57
- public accounting 6
- public company 514, 544
- public sector 10, 57
- purchase discounts 197–9, 237
  - settlement discounts 197–8
  - trade discounts 199
- purchase of office equipment for cash 80–1
- purchase of supplies on credit 82–3
- purchase returns and allowances 196, 236–7
- purchase returns and allowances account 237, 264
- purchases account 236, 264
- purchases and payments cycle 297–300
- purchases budget 891, 915
- purchases journal 315–18, 326
  - expanding 317–18
  - journalising 316
  - multicolumn 318
  - posting 316–17
- purchase returns 210–11
- purchasing inventory 210
  
- qualitative characteristics 37–9
  - and constraint on financial reporting 698–704
  - enhancing 38
  - fundamental 37–8
- quality 755
- quick ratio 489, 498, 636–7, 653
  
- ratio 40, 57
- ratio analysis 40, 57, 635–47
  - liquidity ratios 635–9
  - profitability ratios 641–7
  - solvency ratios 639–41
- ratio of cash to daily cash expenses 370–2, 395
  - ratio of cash to daily cash expenses 370–2
- rationale for variable costing 848
- receipt of cash in advance from customer 81
- raw materials 235, 264
- receivables 372, 395
  - accounting for 372–3
  - analysing and managing 384–9
  - balance, evaluating 386–7
  - financial statement presentation of 383–4
  - managing 389
  - recording and reporting 372–3
  - turnover 386, 387, 395
- receivables turnover 637–8, 653
- recognising notes receivable 382
- recognition 705, 721
- recognition criteria 137, 166
- reconciling the bank account 360–4
  - illustrated 361–4
  - procedure 360–1
- recording and reporting receivables 372–3
- recording estimated uncollectables 376–9
- recording inventory
  - transactions 236
- recording process 90–1
- recording provisions for warranties 487–9
- recording purchases of inventory 194–9, 236–7
  - freight costs 196–7, 237
  - purchase discounts 197–9, 237
  - purchase returns and allowances 196, 236–7
- recording sales of inventory 199–203, 237–8
  - sales discounts 202–3, 238
  - sales returns and allowances 201–2, 237
- recoverable amount 429
- recovery of an uncollectable account 377–8
- reduced risk of obsolescence 419
- refinements on weighted-average method 795–6
- regulation in New Zealand 34
- related activities 289–90
- related purchasing activities 289
- related sales activities 289
- relevant 37, 57, 698, 721
- relevant range 842–3, 863
- remitting GST to the taxation authority 213–15
- renders services for cash 81–2
  
- reporting entity 11–12, 57, 693, 721
  - defined 696–7
  - differential financial reporting 697–8
- reporting job cost data 787–8
- reporting leases 485
- reporting non-current assets in financial statements 442–3
- reporting on equity 531–6
  - statement of changes in equity 532–3
  - statement of financial position 534–6
  - statement of profit or loss and other comprehensive income 531–2
- reporting provisions for warranties 489
- research and development costs 437–8, 450
- reserves 535–6
- residual value 421, 450
- resource providers 694, 721
- responsibility accounting 901, 915
  - controllable vs. non-controllable revenues and costs 902
  - for cost centres 904–13
  - for investment centres 908–10
  - for profit centres 906–8
- responsibility reporting system 902–3
  - types of responsibility centres 903–4
- responsibility centres 903–4
- responsibility report 907–10
  - for an investment centre 909
- responsibility reporting system 902–3, 915
- retail business 365
- retail inventory method 250, 264
- retailers 191
- retained earnings 19, 57, 87, 523, 536–7, 544
- retained profits 526
- return on assets (ROA) 42, 57, 642–3
- return on investment (ROI)
  - judgemental factors in 910
- return on investment (ROI) 908–9, 915
- return on ordinary shareholders' equity (ROE) 539, 544, 642, 653
- revaluation 430, 450
  - journal entries 431–2
  - reversals of increases and decreases 432
- revenue cycle *see* sales and receivables cycle
- revenue expenditure 416, 450
- revenue recognition criteria 136–40
  - accounting standard 137–8
  - expense recognition criteria 138–40
- revenue reserves 535, 544
- revenues 14, 57, 87–9
- revenues received in advance 141, 145–7, 166, 470–2
- reversal of impairments 430
- reversals of increases and decreases 432
- reversing entry 151, 166
- revising periodic depreciation 427–8
- risk management 753
- ROA *see* return on assets

- robotic process automation (RPA)
  - in accounts receivable 373
- ROE *see* return on ordinary shareholders' equity
- rotation of duties 291
- RPA *see* robotic process automation
  
- SACs *see* statements of accounting concepts
- safeguarding and managing cash 355–8
  - internal control over cash 355–8
- sale of receivables to factor 388
- sales and receivables cycle 295, 296, 299
- sales budget 368, 881, 915
- sales discounts 202–3, 238
- sales forecast 879, 915
- sales invoice 199, 216
- sales journal 309–12, 326
  - advantages of 312
  - checking the ledgers 312
  - journalising credit sales 309–10
  - posting 310–12
- sales mix 857, 863
- sales order 295
- sales returns and allowances 201–2, 211–12, 216, 237
- sales revenue 191, 203, 217
- sales transaction 295
- schedule of accounts payable 301, 326
- schedule of accounts receivable 301, 326
- segmental data 649, 653
- segregation of duties 289–90
  - accountability for assets 290
  - related activities 289–90
- selling and administrative expense budget 368, 884–5, 915
- selling inventory 211
- semi-variable costs *see* mixed costs
- separate legal existence 514
- service entities 891
- service industry 750–1
- services rendered for cash 100
- settlement discount 197–8, 212–13
- share capital 14, 57, 86–7, 534–5
- share dividend 523–5, 544
  - effects of 524–5
  - entries for 524
- share issues 518–19
  - accounting for private 519–20
  - accounting for public 519–20
- share split 521–2, 544
- shared tax advantages 419
- shareholder rights 517–18
- shareholders 8, 57
- shares issued for cash 96
- significant non-cash activities 562–3
- single touch payroll (STP) 470
- small and medium-sized entities (SMEs) 697
- SMEs *see* small and medium-sized entities
- sole proprietorship 7–8, 57
- solvency 48–54, 57, 590–1
  - debt to total assets ratio 48–54
  - solvency ratios 48, 57, 492–6, 635, 639–41, 653
- source document 90, 113
- special journal 304–6, 326
  - advantages of 305–6
  - on general journal 320–4
  - posting 305
- special purpose financial reports (SPFRs) 697
- specific identification method 243–4, 264
- SPFRs *see* special purpose financial reports
- standard business reporting 701–2
- standards for revenue recognition 709–10
- stated interest rate *see* contract interest rate
- statement of cash flows 16, 20–1, 28, 57, 295, 560, 596
  - completing 577–8
  - determining net cash provided (used) by operating activities 568–76
  - determining net increase (decrease) in cash 568
  - direct method 578
  - format of 563–4
  - preparing 566–84
  - purpose 560–1
  - usefulness of 564–5
- statement of changes in equity 16, 19, 26–7, 57, 295, 532–3
- statement of financial position 16, 19–20, 27–8, 57, 295, 534–6, 566, 745–6
- statement of profit or loss 18, 26, 57, 203–5, 241–3, 294, 744–5, 748
  - comparison of 846–7
  - effects 248–9
  - gross profit 204
  - operating expenses 205
  - and other comprehensive income 531–2, 544
  - other revenue 204–5
  - sales revenue 203
- statements of accounting concepts (SACs) 33
- static budget 893–4, 915
  - illustrations 893–4
  - uses and limitations 894
- stewardship and accountability objectives 693
- STP *see* single touch payroll
- straight-line depreciation 422–3
- straight-line method 422, 450
- subgrouping of operating expenses 205
- subsequent expenditure 428–9, 437
- subsidiary ledger 300, 326
  - advantages of 303
- supplier's invoice 195, 217
- supplies 142–3
- sustainability 15, 58
  
- T account 84, 113
- target profit 854, 863
  - contribution margin technique 855
  - CVP for profit planning 855–7
- graphic presentation 855
- mathematical equation 854–5
- taxable supplies 209, 217
- taxation 249–50
- taxation authority 209, 217
- technological change on business infrastructure 752
- temporary accounts 157, 166
- terms of sale 241
- time sheet 817
- timeliness 38, 58, 702, 721
- times interest earned 492, 498, 640, 653
- timing issues 134–6
  - accrual vs. cash basis of accounting 134–6
- total and unit fixed costs 842
- total and unit variable costs 841
- total comprehensive income 531, 544
- total cost of work in process 746, 762
- total manufacturing costs 746, 762
- total quality management (TQM) 755, 762
- TQM *see* total quality management
- trade debtors 372
- trade discount 199
- trademark 438, 450
- traditional and ABC overhead rates 803–4
- traditional costing systems 799–800, 804–5
- transaction analysis 79, 113
- transactions 5, 58
- transferable ownership rights 514–15
- transformation of financial data 294–5
- treasurer 516, 544
- trial balance 113, 109
  - limitations of 110
- triple bottom line reporting 755, 762
- trust 9, 58
  
- uncollectable accounts
  - allowance method for 374–6
  - direct write-off method for 374
  - recording estimated 376–9
  - recording the write-off of an 376–7
  - recovery of 377–8
- underapplied manufacturing overhead 788, 817
- understandability 38, 58, 702–3, 721
- unit product cost 889
- unit-level activities 809, 817
- units-of-production depreciation 425–6
- units-of-production method 425, 450
- unlimited liability 8, 58
- unsecured notes 472–3, 498
  - accounting for issues of 474–5
  - market value of 473–4
  - redeeming at maturity 475
  - redeeming before maturity 475–6
- useful life 144, 166, 421, 450
- users and uses of financial information 12–15
- users and uses of financial reports 694–6
  
- value in use 429, 450, 713
- value-added activities 808, 817

value-added tax 208, 217  
value-added vs. non-value-added activities 808–10  
    hierarchy of activity levels 809–10  
values-based management 753, 762  
valuing accounts receivable 374–83  
    allowance method 374–6  
    direct write-off method 374  
    notes receivable 381–3  
    recording estimated uncollectables 376–9  
valuing notes receivable 382  
variable costing 845, 863  
    statement of profit or loss 847  
variable costs 840–2, 863  
    importance of identifying 844–5  
    per unit 896  
verifiability 38, 58, 702, 721  
vertical analysis 632–5, 653  
    inter-entity comparison by 634  
    of statement of financial position 633  
    of statement of profit or loss 632  
warehousing department 297  
warranty 486, 498  
    recording provisions for 487–9  
    reporting provisions for 489  
warranty liabilities 488  
weighted average unit cost 247, 264  
weighted-average method 795–6, 817  
wholesalers 191  
work in process 235, 264  
working capital 45, 58  
worksheet 161, 166, 261–2, 755–7  
write-off of an uncollectable account 376–7  
XBRL *see* eXtensible business reporting language  
XRB *see* External Reporting Board











