

Clarke 7e

***Accounting: An introduction to
principles and practice***
SOLUTIONS MANUAL

Chapter 1 Accounting: its foundations

Question 1.1

Across: 2 non current; 5 current liability; 8 accrual; 10 profit; 11 interpreting; 12 users; 15 analysing; 16 external; 17 revenue; 18 process. **Down:** 1 current asset; 3 owners equity; 4 accounts payable; 6 internal; 7 service; 9 collecting; 13 expense; 14 assets.

Question 1.2

Across: 2 creditors; 5 debtors; 6 stationery; 10 office equipment; 11 accounts receivable; 14 postage; 15 stock on hand; 16 drawings; 17 loan; 19 machinery; 20 computers; 21 inventory. **Down:** 1 mortgage; 3 cash; 4 land; 7 accounts payable; 8 cash at bank; 9 motor vehicles; 12 capital; 13 building; 18 stock.

Question 1.3

Across: 1 materiality; 3 disclosure; 4 continuity; 6 historical cost; 9 consistently; 11 conservatism; 12 Australian; 15 one year; 16 cost. **Down:** 2 indefinitely; 5 going concern; 7 entity; 8 monetary; 10 period; 13 laws; 14 all.

Question 1.4

Across: 2 public; 5 financial statements; 7 users; 8 accrual; 10 corporations; 11 enforceability; 14 framework; 15 external; 16 balance sheet; 17 companies; 19 accrual; 20 assumptions. **Down:** 1 AASB; 3 consistency; 4 fair; 6 income statement; 9 going concern; 12 international; 13 entity; 14 financial; 18 IASB.

Question 1.5

Across: 5 unlimited; 6 partners; 8 agreement; 9 silent; 12 shareholders; 13 partnership; 14 sole trader; 15 limited. **Down:** 1 corporations; 2 ltd; 3 directors; 4 pty; 7 shares; 10 proprietary; 11 registered; 13 public.

Question 1.6

a. deposited, cashed; b. payee, drawer

Question 1.7

<p>23 February 20 15</p> <p>TO <u>L Reyes</u></p> <p>FOR <u>Inventory</u> <u>purchased</u></p> <p>\$ <u>99.00</u></p> <p style="text-align: right;">823191</p>	<p style="text-align: center;">Natural Australia Bank NITROGEN BRANCH</p> <p style="text-align: right;">23 February 20 15</p> <p>PAY <u>L Reyes</u> OR BEARER</p> <p>THE SUM OF <u>Ninety nine dollars only</u> \$ <u>99.00</u></p> <p>D HAREN <u>D Haren</u></p> <p>⑈823191 ⑈078⑈474⑈156⑈8087⑈</p>
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<p>23 February 20 15</p> <p>TO <u>LJ Booker</u></p> <p>FOR <u>Rent for March</u></p> <p>\$ <u>220.00</u></p> <p style="text-align: right;">823192</p>	<p style="text-align: center;">Natural Australia Bank NITROGEN BRANCH</p> <p style="text-align: right;">23 February 20 15</p> <p>PAY <u>LJ Booker</u> OR BEARER</p> <p>THE SUM OF <u>Two hundred and twenty dollars only</u> \$ <u>220.00</u></p> <p>D HAREN <u>D Haren</u></p> <p>⑈823192 ⑈078⑈474⑈156⑈8087⑈</p>
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<u>23 February 20 15</u> TO <u>Wages</u> <hr/> FOR <u>Wages, week</u> <u>ended 22 February</u> <hr/> <u>\$ 990.00</u> <hr/> <p style="text-align: center;">823193</p>	<div style="text-align: center;">Natural Australia Bank</div> <div style="text-align: center;">NITROGEN BRANCH</div> <div style="text-align: right;"><u>23 February 20 15</u></div> <hr/> PAY <u>Wages</u> OR BEARER <hr/> THE SUM OF <u>Nine hundred and ninety dollars only</u> \$ <u>990.00</u> <hr/> <div style="display: flex; justify-content: space-between;"> D HAREN <u>D Haren</u> </div> <hr/> <div style="display: flex; justify-content: space-between;"> ⑈823193 ⑈108⑈474⑈:156⑈8087⑈ </div>
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Question 1.8

<u>10 August 20 15</u> TO <u>Wages</u> <hr/> FOR <u>Wages for the</u> <u>period</u> <hr/> <u>\$ 640.00</u> <hr/> <p style="text-align: center;">533234</p>	<div style="text-align: center;">Natural Australia Bank</div> <div style="text-align: center;">NITROGEN BRANCH</div> <div style="text-align: right;"><u>10 August 20 15</u></div> <hr/> PAY <u>Wages</u> OR BEARER <hr/> THE SUM OF <u>Six hundred and forty dollars</u> \$ <u>640.00</u> <hr/> <div style="display: flex; justify-content: space-between;"> A ROSSANA <u>A Rossana</u> </div> <hr/> <div style="display: flex; justify-content: space-between;"> ⑈533234 ⑈078⑈474⑈:156⑈8087⑈ </div>
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<u>15 August 20 15</u> TO <u>Telstra</u> <hr/> FOR <u>Telephone account</u> <hr/> <u>\$ 319.00</u> <hr/> <p style="text-align: center;">533235</p>	<div style="text-align: center;">Natural Australia Bank</div> <div style="text-align: center;">NITROGEN BRANCH</div> <div style="text-align: right;"><u>15 August 20 15</u></div> <hr/> PAY <u>Telstra</u> OR BEARER <hr/> THE SUM OF <u>Three hundred and nineteen dollars only</u> \$ <u>319.00</u> <hr/> <div style="display: flex; justify-content: space-between;"> A ROSSANA <u>A Rossana</u> </div> <hr/> <div style="display: flex; justify-content: space-between;"> ⑈533235 ⑈078⑈474⑈:156⑈8087⑈ </div>
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<u>21 August 20 15</u> TO <u>Roads & Traffic</u> <u>Authority</u> <hr/> FOR <u>Vehicle</u> <u>registration</u> <hr/> <u>\$ 561.00</u> <hr/> <p style="text-align: center;">533236</p>	<div style="text-align: center;">Natural Australia Bank</div> <div style="text-align: center;">NITROGEN BRANCH</div> <div style="text-align: right;"><u>21 August 20 15</u></div> <hr/> PAY <u>Roads & Traffic Authority</u> OR BEARER <hr/> THE SUM OF <u>Five hundred and sixty one dollars only</u> \$ <u>561.00</u> <hr/> <div style="display: flex; justify-content: space-between;"> A ROSSANA <u>A Rossana</u> </div> <hr/> <div style="display: flex; justify-content: space-between;"> ⑈533236 ⑈078⑈474⑈:156⑈8087⑈ </div>
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<p>28 August 20 15</p> <hr/> <p>TO <u>M Solis</u></p> <hr/> <p>FOR <u>Inventory</u></p> <p style="padding-left: 40px;"><u>purchased</u></p> <hr/> <p>\$ 242.00</p> <hr/> <p style="text-align: right;">533237</p>	<div style="text-align: center;"> Natural Australia Bank NITROGEN BRANCH </div> <div style="text-align: right; margin-top: -20px;">28 August 20 15</div> <div style="text-align: center; margin-top: 20px;"> PAY <u>M Solis</u> OR BEARER </div> <div style="text-align: center; margin-top: 10px;"> THE SUM OF <u>Two hundred and forty two dollars only</u> \$ 242.00 </div> <div style="text-align: center; margin-top: 20px;"> A ROSSANA <u>A Rossana</u> </div> <div style="text-align: center; margin-top: 10px;"> 533237 078 474 156 8087 </div>
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Question 1.9

<p>2 June 2015</p> <p><i>J Adam - cheque</i></p> <p><i>One hundred dollars 10¢</i></p> <p><i>Cash sale</i></p> <p>100.10</p>	<p>RECEIPT NO. 454</p> <p style="font-size: 1.5em; margin-top: 20px;"><i>J Lawson</i></p>
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<p>6 June 2015</p> <p><i>Cash</i></p> <p><i>Eighty three dollars 60 ¢</i></p> <p><i>Cash sale</i></p> <p>83.60</p>	<p>RECEIPT NO. 455</p> <p style="font-size: 1.5em; margin-top: 20px;"><i>J Lawson</i></p>
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Question 1.10

Natural Australia Bank PHOSPHORUS BRANCH				DEPOSIT	
				DATE <u>2 June</u> 20 <u>15</u>	
CREDIT (Deposit to the account of)				NOTES	
<u>J Lawson</u>				COIN	
DRAWER	BANK	BRANCH	CHEQUES		
<u>J Adam</u>	<u>Strate</u>	<u>Hopeton</u>	100	10	
			TOTAL	100	10

<i>Natural Australia Bank</i> PHOSPHORUS BRANCH			DEPOSIT	
CREDIT (Deposit to the account of)			DATE	<u>6 June</u> 20 <u>15</u>
<u>J Lawson</u>			NOTES	80 00
			COIN	3 60
DRAWER	BANK	BRANCH	CHEQUES	
			TOTAL	83 60

Question 1.11

6 November 2015	RECEIPT NO. 671
<i>T Timms - cheque</i>	
<i>Two hundred & nine dollars only</i>	
<i>Cash sale</i>	
209.00	<i>J Crowe</i>

6 November 2015	RECEIPT NO. 672
<i>S Byrne - cheque</i>	
<i>One hundred & sixty five dollars only</i>	
<i>Rent received</i>	
165.00	<i>J Crowe</i>

<i>Natural Australia Bank</i> PHOSPHORUS BRANCH			DEPOSIT	
CREDIT (Deposit to the account of)			DATE	<u>6 November</u> 20 <u>15</u>
<u>J Crowe</u>			NOTES	
			COIN	
DRAWER	BANK	BRANCH	CHEQUES	
<i>T Timms</i>	<i>Comm</i>	<i>Scone</i>		209 00
<i>S Byrne</i>	<i>ANZ</i>	<i>Yass</i>		165 00
			TOTAL	374 00

17 November 2015	RECEIPT NO. 673
<i>M Postma - cash</i>	
<i>Eighty eight dollars only</i>	
<i>Cash sale</i>	
88.00	<i>J Crowe</i>

<i>Natural Australia Bank</i>			DEPOSIT	
PHOSPHORUS BRANCH				
			DATE	<u>17 November 20 15</u>
CREDIT (Deposit to the account of)			NOTES	85 00
<u><i>J Crowe</i></u>			COIN	3 00
DRAWER	BANK	BRANCH	CHEQUES	
			TOTAL	88 00

28 November 2015	RECEIPT NO. 674
<i>M Beatty - cheque</i>	
<i>Two hundred & twenty dollars only</i>	
<i>Cash sale</i>	
220.00	<i>J Crowe</i>

28 November 5	RECEIPT NO. 675
<i>Ukansel - cheque</i>	
<i>Three hundred & thirty dollars only</i>	
<i>Commission received</i>	
330.00	<i>J Crowe</i>

28 November 2015	RECEIPT NO. 676
<i>J Holt - cash</i>	
<i>Ninety eight dollars only</i>	
<i>Cash sale</i>	
98.00	<i>J Crowe</i>

Natural Australia Bank			DEPOSIT	
PHOSPHORUS BRANCH			DATE <u>28 November 20 15</u>	
CREDIT (Deposit to the account of)				
<u>J Crowe</u>			NOTES	95 00
			COIN	3 00
DRAWER	BANK	BRANCH	CHEQUES	
<u>M Beatty</u>	<u>Comm</u>	<u>Ulladulla</u>		220 00
<u>Ukansel</u>	<u>National</u>	<u>Port Kembla</u>		330 00
			TOTAL	648 00

Question 1.12

- a. Debit card – Payer presents card to payee who swipes it. Funds are transferred from the business bank account to supplier's account.

Electronic funds transfer (EFT) – funds transferred from business bank account to supplier's account using a computer or similar device.

- b. EFTPOS – customers pay the business using a debit card or bank issued credit card.

Electronic funds transfer (EFT) – A customer can transfer money directly from their bank account to the business bank account using a computer or similar device.

Question 1.13

a.

Bank Deposit Batch Report						Date 15 Apr 2015			
Batch item	Cheque details				Cash				
	Drawer	Bank	Amount		Notes		Coin		
			\$	c	\$	c	\$	c	
Receipts (Nos 375-376)									
Cash					45	00			
Cheques	M Eckett	NSW, Newcastle	147	65					
Cash sale dockets (Nos 006-007)									
Cash					80	00	3	00	
Cheques									
Cash register tape									
Cash					675	00		50	
Cheques	N Leighton	Victoria, Broken Hill	225	00					
	J Walsh	Regal, Sydney	42	70					
	M Ivetic	NSW, Hay	98	00					
Totals			513	35	800	00	3	50	
Deposit details	\$	c							
Cash	803	50							
Cheques	513	35							
Total deposit	1 316	85							

b.

<i>Natural Australia Bank</i> PHOSPHOROUS BRANCH			DEPOSIT	
			DATE <i>15 April 2015</i>	
CREDIT (Deposit to the account of)			NOTES	800 00
<i>Billie Taylor</i>			COIN	3 50
DRAWER	BANK	BRANCH	CHEQUES	
<i>M Eckett</i>	<i>NSW</i>	<i>Newcastle</i>		147 65
<i>N Leighton</i>	<i>Victoria</i>	<i>Broken Hill</i>		225 00
<i>J Walsh</i>	<i>Regal</i>	<i>Sydney</i>		42 70
<i>M Ivetic</i>	<i>NSW</i>	<i>Hay</i>		98 00
			TOTAL	1 316 85

Question 1.14

a. source; b. control; c. cheque; d. receipt, duplicate receipt; e. receives, original; f. sends, duplicate copy; g. memo

Question 1.15

- a. Customer purchase order, inventory price list, despatch docket
b. Purchase order, goods received advice

Question 1.16

a. due care; b. integrity; c. objectivity; d. professional competence; e. confidentiality;
f. professional behaviour

Question 1.17

The explanation should include the topic matters covered in the text, including the standards.

Question 1.18

Refer to text; topic matters covered: basic accounting terms.

Question 1.19

Horizontal terms: 2 analysing; 3 non-current; 4 revenue; 5 accounts payable; 6 service, profit; 7 asset; 8 collecting; 9 process; 14 current liability; 18 users; 20 interpreting.

Vertical terms: 7–18 owners equity; 16–18 tax. **Diagonal terms:** 9–15 accrual; 19–8 current asset; 20–14 expense.

Question 1.20

a. postage, b. loan, c. drawings, d. mortgage, e. accounts receivable, f. cash at bank, g. debtors, h. creditors, i. motor vehicles, j. building, k. machinery, l. capital, m. cash, n. bank, o. land, p. accounts payable, q. office equipment, r. inventory, s. computers, t. sales, u. stock on hand, v. stock

Question 1.21

1 period convention; 2 entity convention; 3 going concern convention; 4 recognition of law convention; 5 entity convention; 6 historical cost convention; 7 monetary convention; 8 period convention; 9 historical cost convention; 10 consistency doctrine; 11 disclosure doctrine; 12 disclosure doctrine; 13 materiality doctrine.

Question 1.22

a. continuity of activity; **b.** going concern; **c.** historical record; **d.** conservatism; **e.** recognition of law; **f.** materiality; **g.** accounting period; **h.** consistency; **i.** accounting entity; **j.** disclosure; **k.** historical cost; **l.** monetary; **m.** business entity

Question 1.23

Refer to text 'Purpose or objective of standards'.

Question 1.24

Refer to text 'Framework for the preparation and presentation of financial statements (the Framework)'.

Question 1.25

AASB 101	Presentation of Financial Statements
AASB 102	Inventories
AASB 107	Cash Flow Statements
AASB 112	Income Taxes
AASB 116	Property, Plant and Equipment
AASB 127	Consolidated and Separate Financial Statements
AASB 134	Interim Financial Reporting
AASB 137	Provisions, Contingent Liabilities and Contingent Assets
AASB 138	Intangible Assets
AASB 141	Agriculture

Question 1.26

(Note: vertical = v; diagonal = d) **a.** corporations (v)18–7; **b.** ltd (v)13–11; **c.** public (v)9–4; **d.** directors (d)16–8; **e.** Pty (d)1–3; **f.** unlimited (d)2–10; **g.** partners (v)11–4; **h.** shares (v)20–15; **i.** agreement (v)11–3; **j.** silent (d)3–8; **k.** proprietary (d)4–14; **l.** registered (d)12–3; **m.** shareholders (v)18–7; **n.** partnership (v)12–2; **o.** sole trader (v)8–17; **p.** limited (v)13–19.

Question 1.27

<p>26 February 20 15</p> <hr/> <p>TO <i>Glenn Peters</i></p> <hr/> <p><i>Cleaning Supplies</i></p> <hr/> <p>FOR Inv 75963 \$398.97</p> <hr/> <p><i>less C/n 290145 \$74.80</i></p> <hr/> <p> </p> <hr/> <p>\$ 324.17</p> <hr/> <p style="text-align: center;">010369</p>	<p style="text-align: center;">Natural Australia Bank</p> <p style="text-align: center;">NITROGEN BRANCH</p> <p style="text-align: right;">26 February 20 15</p> <hr/> <p>PAY <i>Glenn Peters Cleaning Supplies</i> OR BEARER</p> <hr/> <p>THE SUM OF <i>Three hundred and twenty four dollars 17</i> \$ 324.17</p> <hr/> <p style="text-align: center;">MERIDETH JANE'S RESTAURANT</p> <p style="text-align: right;"><i>M. Jane</i></p> <hr/> <p style="text-align: center;">⑈010369 ⑈078⑈474⑈156⑈8087⑈</p>
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Question 1.28

3 March: \$2413.84; 6 March: \$2505.03; 9 March: \$1225.07; 12 March: \$2950.20; 23 March: \$402.05; 28 March: \$3045.90; Total for March: \$12 542.09.

Question 1.29

Refer to text; topic matters covered in 'Ethics as it applies to accounting'.

Question 1.30

Refer to text; topic matter 'Accounting conventions or assumptions and accounting doctrines'.

Question 1.31

<i>Dubbo Book Nook</i>			
Phone/fax: (02) 6881 3404		Main Street, Dubbo NSW 2830	
SOLD TO		ABN: 12 345 467 890	
Dunedoo Soil Co-op		Tax Invoice No. 13171	
Mendooran Road		27 July 2015	
Dunedoo 2844			
Customer No.	Order Number	Trading Terms	
1612	59	net 30 days	
DESCRIPTION		QTY	UNIT PRICE
How Can I Use Herbs in my Daily Life by Isabell Shipard		2	40.00
Add 10% GST			8.00
TOTAL AMOUNT PAYABLE			\$88.00
E&OE			

Question 1.32

BOURKE SUPPLIERS Co		TAX INVOICE	
Supply Street, Bourke NSW 2840		41987	
(02) 6872 2287		ABN: 98 765 432 187	
SOLD TO		DELIVER TO	
Louth Purchasing Co		Shed behind	
Wilcannia Road		Shindy's Inn	
Louth 2840		generator	
Date	Customer Number	Customer Order Number	
6 April 2015	LOU05	LPC 8995	
Description	Qty	Unit Price	Amount Payable
Nudger NG14 Gate	3	380.00	1140.00
Add 10% GST			114.00
TOTAL AMOUNT PAYABLE			\$1254.00
E&OE			

Question 1.33

- a. A copy of each sales invoice is normally retained by the business. These would be filed in invoice number order.
- b. Purchase invoices should be filed with a copy of the relevant purchase invoice and goods received advice, normally in cheque number or EFT reference number order. They should be marked as 'Paid' with the relevant reference number written on them.

