

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> <hr/> <p>FOR <u>Inventory</u> <u>purchased</u></p> <hr/> <p>\$ 99.00</p> <hr/> <p style="text-align: right;"><b>823191</b></p>	<p style="text-align: center;"><i>Natural Australia Bank</i></p> <p style="text-align: center;">NITROGEN BRANCH</p> <p style="text-align: right;">23 February 20 15</p> <p>PAY <u>L Reyes</u> <span style="float: right;">OR BEARER</span></p> <hr/> <p>THE SUM OF <u>Ninety nine dollars only</u> <span style="float: right;">\$ 99.00</span></p> <hr/> <p>D HAREN <span style="float: right;"><u>D Haren</u></span></p> <hr/> <p style="text-align: center;">⑈.823191 ⑈.078.474⑈.:156⑈.8087⑈.</p>
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<p>23 February 20 15</p> <p>TO <u>LJ Booker</u></p> <hr/> <p>FOR <u>Rent for March</u></p> <hr/> <p>\$ 220.00</p> <hr/> <p style="text-align: right;"><b>823192</b></p>	<p style="text-align: center;"><i>Natural Australia Bank</i></p> <p style="text-align: center;">NITROGEN BRANCH</p> <p style="text-align: right;">23 February 20 15</p> <p>PAY <u>LJ Booker</u> <span style="float: right;">OR BEARER</span></p> <hr/> <p>THE SUM OF <u>Two hundred and twenty dollars only</u> <span style="float: right;">\$ 220.00</span></p> <hr/> <p>D HAREN <span style="float: right;"><u>D Haren</u></span></p> <hr/> <p style="text-align: center;">⑈.823192 ⑈.078.474⑈.:156⑈.8087⑈.</p>
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<p>23 February 20 15</p> <p>TO <u>Wages</u></p> <hr/> <p>FOR <u>Wages, week ended 22 February</u></p> <hr/> <p>\$ <u>990.00</u></p> <hr/> <p style="text-align: center;"><b>823193</b></p>	<p style="text-align: center;"><b>Natural Australia Bank</b></p> <p style="text-align: center;">NITROGEN BRANCH</p> <p style="text-align: right;">23 February 20 15</p> <p>PAY <u>Wages</u> OR BEARER</p> <hr/> <p>THE SUM OF <u>Nine hundred and ninety dollars only</u> \$ <u>990.00</u></p> <hr/> <p>D HAREN <u>D Haren</u></p> <hr/> <p>⑈823193 ⑈.108⑈474⑈.156⑈.8087⑈.</p>
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**Question 1.8**

<p>10 August 20 15</p> <p>TO <u>Wages</u></p> <hr/> <p>FOR <u>Wages for the period</u></p> <hr/> <p>\$ <u>640.00</u></p> <hr/> <p style="text-align: center;"><b>533234</b></p>	<p style="text-align: center;"><b>Natural Australia Bank</b></p> <p style="text-align: center;">NITROGEN BRANCH</p> <p style="text-align: right;">10 August 20 15</p> <p>PAY <u>Wages</u> OR BEARER</p> <hr/> <p>THE SUM OF <u>Six hundred and forty dollars</u> \$ <u>640.00</u></p> <hr/> <p>A ROSSANA <u>A Rossana</u></p> <hr/> <p>⑈533234 ⑈.078⑈474⑈.156⑈.8087⑈.</p>
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<p>15 August 20 15</p> <p>TO <u>Telstra</u></p> <hr/> <p>FOR <u>Telephone account</u></p> <hr/> <p>\$ <u>319.00</u></p> <hr/> <p style="text-align: center;"><b>533235</b></p>	<p style="text-align: center;"><b>Natural Australia Bank</b></p> <p style="text-align: center;">NITROGEN BRANCH</p> <p style="text-align: right;">15 August 20 15</p> <p>PAY <u>Telstra</u> OR BEARER</p> <hr/> <p>THE SUM OF <u>Three hundred and nineteen dollars only</u> \$ <u>319.00</u></p> <hr/> <p>A ROSSANA <u>A Rossana</u></p> <hr/> <p>⑈533235 ⑈.078⑈474⑈.156⑈.8087⑈.</p>
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<p>21 August 20 15</p> <p>TO <u>Roads &amp; Traffic Authority</u></p> <hr/> <p>FOR <u>Vehicle registration</u></p> <hr/> <p>\$ <u>561.00</u></p> <hr/> <p style="text-align: center;"><b>533236</b></p>	<p style="text-align: center;"><b>Natural Australia Bank</b></p> <p style="text-align: center;">NITROGEN BRANCH</p> <p style="text-align: right;">21 August 20 15</p> <p>PAY <u>Roads &amp; Traffic Authority</u> OR BEARER</p> <hr/> <p>THE SUM OF <u>Five hundred and sixty one dollars only</u> \$ <u>561.00</u></p> <hr/> <p>A ROSSANA <u>A Rossana</u></p> <hr/> <p>⑈533236 ⑈.078⑈474⑈.156⑈.8087⑈.</p>
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<i>Natural Australia Bank</i>			<b>DEPOSIT</b>	
PHOSPHORUS BRANCH			DATE	<u>6 June 20 15</u>
CREDIT (Deposit to the account of)			NOTES	80 00
<u>J Lawson</u>			COIN	3 60
DRAWER	BANK	BRANCH	CHEQUES	
			<b>TOTAL</b>	<b>83 60</b>

**Question 1.11**

6 November 2015	RECEIPT NO. 671
<i>T Timms - cheque</i>	
<i>Two hundred &amp; 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 &amp; sixty five dollars only</i>	
<i>Rent received</i>	
165.00	<i>J Crowe</i>

<i>Natural Australia Bank</i>			<b>DEPOSIT</b>	
PHOSPHORUS BRANCH			DATE	<u>6 November 20 15</u>
CREDIT (Deposit to the account of)			NOTES	
<u>J Crowe</u>			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
			<b>TOTAL</b>	<b>374 00</b>

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>

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

28 November 2015	RECEIPT NO. 674
<i>M Beatty - cheque</i>	
<i>Two hundred &amp; 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 &amp; 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>

<i>Natural Australia Bank</i>			<b>DEPOSIT</b>	
PHOSPHORUS BRANCH			DATE <u>28 November 20 15</u>	
CREDIT (Deposit to the account of)			NOTES	95 00
<u>J Crowe</u>			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
			<b>TOTAL</b>	<b>648 00</b>

**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.

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

b.

<i>Natural Australia Bank</i>			<b>DEPOSIT</b>		
PHOSPHOROUS BRANCH			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
			<b>TOTAL</b>	<b>1 316</b>	<b>85</b>

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

<b>Dubbo Book Nook</b>			
Phone/fax: (02) 6881 3404		Main Street, Dubbo NSW 2830	
SOLD TO		ABN: 12 345 467 890	
<b>Dunedoo Soil Co-op</b>		Tax Invoice No. <b>13171</b>	
<b>Mendooran Road</b>		27 July 2015	
<b>Dunedoo 2844</b>			
Customer No.	Order Number	Trading Terms	
1612	59	net 30 days	
DESCRIPTION	QTY	UNIT PRICE	AMOUNT
<b>How Can I Use Herbs in my Daily Life by Isabell Shipard</b>	<b>2</b>	<b>40.00</b>	<b>80.00</b>
<b>Add 10% GST</b>			<b>8.00</b>
<b>TOTAL AMOUNT PAYABLE</b>			<b>\$88.00</b>
E&OE			

**Question 1.32**

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

