**Week 3**

This material is from the second and third weeks of the course. The questions are taken from the course textbook.

**Discussion questions** (from the ACCT102 textbook)

3.5 Valuable resources of a business are sometimes not included in its balance sheet assets.  
a) Why does this occur?

b) Can you provide examples?

3.13 You observe in a balance sheet:  
Current liability: Provision for long-service leave 73,000  
Non-current liability: Provision for long-service leave 122,000  
a) Define the accounting term non-current  
b) Explain the difference between these two figures.

3.15 Why does the accounting equation always balance?  
Because good accounting.

3.20 In recent years there have been attempts to place a value on the human assets of a business to derive a figure which can be included on the balance sheet. Do you think people should be treated as assets? Would ‘human assets’ meet the conventional definition of an asset for inclusion on the balance sheet?

4.2 How does the income statement link with the balance sheet?

4.6 Company Xcel Ltd announces an increase of 10% in net profit for the year to 1,700,000. As a potential investor in the company:  
a) what does this announcement tell you?

b) what other information do you require for deciding whether or not to invest in the company?

4.8 Income is essential to all profit-oriented businesses  
a) define income  
b) discuss the basis of income recognition by accountants

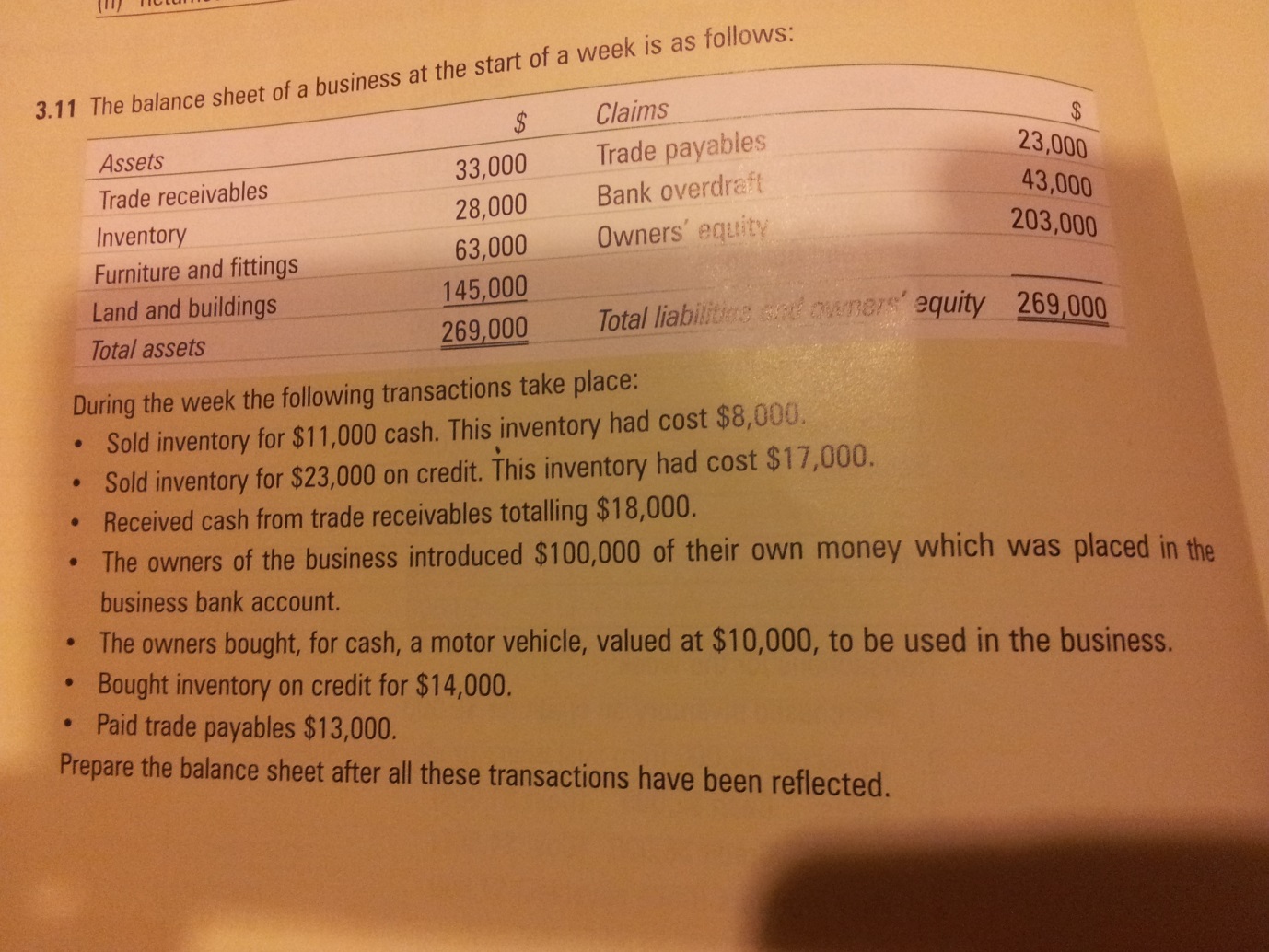
4.15 A retailer will normally calculate ‘gross profit’.  
a) What is gross profit?  
b) How is it related to ‘mark-up’?  
c) Why is gross profit such an important measure?

4.19 ‘Depreciation is a process of allocation and not valuation’ What do you think is meant by this statement?

4.27 The profit after tax of an entity for the period was $70,000, but the net assets increased by 180,000. What might explain the discrepancy between the two figures?

4.29 Critically evaluate the following statements about depreciation:  
a) Depreciation is a valuation adjustment.  
b) Depreciation equals physical wear and tear.  
c) Depreciation provides funds for replacement.  
d) There is no point depreciating buildings because their value is increasing.

**Application exercises**

3.11

**Note:**some of these questions have not been explicitly covered in lectures and will require review of the textbook to fully answer.

**Due**: Your answers need to be uploaded before lunchtime (12pm) Friday of the fourth week of the course. NO reasons for sumbitting late are accepted. Marks are assigned for 10/11 weeks of homework, effectively meaning you can miss one week's homework and it not affect your grade, although you will also miss out on the learning associated with that homework.It is NOT necessary to have the answers all correct - having a valid attempt is what is required. We will post answers to homework after the week is complete, so you can check the level and accuracy of your answers.