

Defining the Elements

Name _____

Assets

- Resource controlled by entity
- Result of past events
- Future economic benefits

Liabilities

- Present obligation
- Arising from past events
- Outflow of economic benefits

Owner's Equity

- Residual interest (A-L)

Revenues

- Inflows or savings of outflows of economic benefits
- $\uparrow A$ or $\downarrow L$ that $\uparrow OE$
- Except capital contributions

Expenses

- Outflows of economic benefits or reduction in inflows
- $\downarrow A$ or $\uparrow L$ that $\downarrow OE$
- Except Drawings

When answering theory questions, try to give the **'I D L'** (ideal) answer:

- I** Identify principle/characteristic or element
- D** Give the correct components from the **definition**
- L** Link to the question being asked eg if it is about stock, talk specifically about how stock fits with the definition

1. State two characteristics/factors that should be present before an item is reported as an Asset.

2. Explain why Debtors are a current asset

3. Explain why instalment loans need to be classified as both current and non-current liabilities.

4. Explain with reference to the definition of an expense, why stock loss should be treated as an expense. (2004)

5. Explain why stock on hand should NOT be treated as an expense. (2005)

6. Explain why discount received is treated as revenue. (2005)

7. Explain why loan repayment is NOT an expense.
