

UCLA-ALIGNED COURSE FIELD NOTES

MGMT 1A

Principles of Accounting I

Transactions, statements, assets, liabilities, controls, and financial interpretation

How these notes are written. I wrote each chapter the way I wish the material had been explained the first time: the real idea, the point where I usually get stuck, the simplest mental model that still stays honest, and a worked decision instead of a polished answer appearing from nowhere. Every chapter closes with practice and a fully written solution. If a sentence sounds impressive but does not help me solve or explain something, it does not belong here.

Daniel Mastick

Curriculum map, working notes, practice, and solutions

Course map

Week	Core thread	What should be solid by the end
1	Accounting language and the accounting equation	Reconstruct the model, work an application, test its assumptions, and explain the result in ordinary language.
2	Double-entry recording and the ledger	Reconstruct the model, work an application, test its assumptions, and explain the result in ordinary language.
3	Accruals, deferrals, and the adjusted trial balance	Reconstruct the model, work an application, test its assumptions, and explain the result in ordinary language.
4	Financial statements and closing the period	Reconstruct the model, work an application, test its assumptions, and explain the result in ordinary language.
5	Cash, receivables, revenue, and internal control	Reconstruct the model, work an application, test its assumptions, and explain the result in ordinary language.
6	Inventory and cost of goods sold	Reconstruct the model, work an application, test its assumptions, and explain the result in ordinary language.
7	Long-lived assets, depreciation, and intangibles	Reconstruct the model, work an application, test its assumptions, and explain the result in ordinary language.
8	Current liabilities, contingencies, and statement analysis	Reconstruct the model, work an application, test its assumptions, and explain the result in ordinary language.
9	Integration studio	Combine several chapters in one case, preserve their assumptions, and reconcile the result across representations.
10	Cumulative review	Retrieve the full course map from memory and solve mixed problems without chapter labels.

Scope anchor: <https://catalog.registrar.ucla.edu/course/2025/MGMT1A?year=2025>. The sequence is aligned to the official catalog description and expanded into a practical ten-week study plan.

How I would use this packet

Treat each numbered section as one chapter. Read the formal explanation, pause at the student interpretation, and see whether the easy version still says the same thing. Rework the example without looking, then cover the solution in the chapter practice box. The cumulative set at the end is deliberately mixed: knowledge becomes durable when I have to choose the tool instead of being told which chapter I am in.

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CHAPTER 1 Accounting language and the accounting equation

The idea

Financial accounting turns economic events into a consistent record for outside decision makers. Assets equal liabilities plus owners' equity, and every transaction must preserve that equation.

Rebuild the chapter from first principles

The claim I need to own is this: Financial accounting turns economic events into a consistent record for outside decision makers. Assets equal liabilities plus owners' equity, and every transaction must preserve that equation. I do not count that as learned just because the sentence looks familiar. I should be able to name the objects, state what changes and what stays fixed, recover the rule from the definitions, and explain why the result is allowed.

The move

My working sequence

1. **Translate.** Rewrite the prompt in the language of accounting language and the accounting equation. List the known quantities, the unknown, the units or types, and any hidden constraint.
2. **Choose.** State the theorem, model, algorithm, accounting rule, or physical law before substituting values. This is where I make the assumption visible.
3. **Execute.** Work one justified step at a time and keep intermediate state readable enough that I can audit it later.
4. **Verify.** Check a boundary case, sign, unit, invariant, order of magnitude, or alternative derivation. Then translate the result back into an ordinary sentence.

Details I would refuse to skip

- **Definitions:** I should be able to define every technical noun in the chapter without using that same noun in the definition.
- **Assumptions:** I write the condition that makes the method legal beside the method itself. A correct procedure under the wrong assumptions is still a wrong answer.
- **Representation:** I move freely among words, equations or code, a diagram, and a small numerical example. If one representation disagrees with another, that disagreement is useful evidence.
- **Failure modes:** I keep the nearest counterexample in mind: the boundary where the rule changes, the invariant breaks, or the model stops matching reality.
- **Communication:** My final answer names what the result means and what it does not establish. I do not let notation do the explanatory work for me.

Sanity check

Closed-note check. Can I teach accounting language and the accounting equation on a blank page, derive or reconstruct its main rule, work a fresh example, and diagnose a deliberately broken solution? If I can only recognize the finished work, I am not done.

How this chapter connects

I read this chapter as the bridge from the course foundations to double-entry recording and the ledger. The earlier material supplies the language and constraints; this chapter adds a new reasoning move; the later material asks me to use that move without being told its name. That connection matters because exams and real projects mix chapters on purpose.

The full working model

- **Core claim.** Financial accounting turns economic events into a consistent record for outside decision makers.
- **What moves.** Assets equal liabilities plus owners' equity, and every transaction must preserve that equation.
- **What keeps the answer honest.** The model becomes useful only when I can apply accounting language and the accounting equation to an unfamiliar case and defend the assumptions.
- **Mastery standard.** I can define the objects, rebuild the rule, work a fresh case, compare alternatives, and diagnose a broken solution without relying on recognition.

How I actually think about it

I draw the equation before I think about debits and credits; the story of who owns what comes first.

The easy version

Financial accounting turns economic events into a consistent record for outside decision makers.

Worked example

Question. The owner contributes 20000 cash to start a company. What changes?

Walkthrough. Cash, an asset, rises by 20000 and contributed capital, equity, rises by 20000. The equation remains balanced and no revenue is created by an owner investment.

Common miss

The fastest way to get this chapter wrong is to use the visible procedure without naming its assumption, units, time period, reference group, or boundary. I put that condition beside the work and verify the result independently.

Solved chapter practice

Practice 1. The owner contributes 20000 cash to start a company. What changes?

Solution. Cash, an asset, rises by 20000 and contributed capital, equity, rises by 20000. The equation remains balanced and no revenue is created by an owner investment.

Practice 2. Explain accounting language and the accounting equation to a classmate using one definition, one concrete example, one assumption, and one failure mode.

Solution. Begin with the core claim above, use the worked case as the concrete example, state the condition highlighted by the warning, and choose a failure where that condition does not hold. A complete explanation connects all four pieces instead of listing them.

Mastery practice A. Reconstruct accounting language and the accounting equation from a blank page. Include the central definition, the governing rule, one required assumption, and one boundary case.

Solution. Start from the blue idea box, but rewrite it in my own words. Identify the objects and state, name the rule before using it, copy the relevant assumption from the details audit, and choose a boundary where that assumption becomes equality or fails. A complete solution explains why each part belongs; a list of vocabulary is not enough.

Mastery practice B. A classmate gets a polished-looking answer to a accounting language and the accounting equation problem but never states a model or checks the result. Write the shortest useful review of that solution.

Solution. I would ask four concrete questions: What exactly are the inputs and desired output? Which rule licenses the main step? Which assumption could invalidate it? Which independent check supports the conclusion? If the answer cannot survive those four questions, I treat the numerical or verbal result as unverified.

CHAPTER 2 Double-entry recording and the ledger

The idea

Debits and credits are directional conventions tied to account type, not synonyms for good and bad. Journal entries preserve equality, ledgers collect account histories, and the trial balance tests arithmetic equality.

Rebuild the chapter from first principles

The claim I need to own is this: Debits and credits are directional conventions tied to account type, not synonyms for good and bad. Journal entries preserve equality, ledgers collect account histories, and the trial balance tests arithmetic equality. I do not count that as learned just because the sentence looks familiar. I should be able to name the objects, state what changes and what stays fixed, recover the rule from the definitions, and explain why the result is allowed.

The move

My working sequence

1. **Translate.** Rewrite the prompt in the language of double-entry recording and the ledger. List the known quantities, the unknown, the units or types, and any hidden constraint.
2. **Choose.** State the theorem, model, algorithm, accounting rule, or physical law before substituting values. This is where I make the assumption visible.
3. **Execute.** Work one justified step at a time and keep intermediate state readable enough that I can audit it later.
4. **Verify.** Check a boundary case, sign, unit, invariant, order of magnitude, or alternative derivation. Then translate the result back into an ordinary sentence.

Details I would refuse to skip

- **Definitions:** I should be able to define every technical noun in the chapter without using that same noun in the definition.
- **Assumptions:** I write the condition that makes the method legal beside the method itself. A correct procedure under the wrong assumptions is still a wrong answer.
- **Representation:** I move freely among words, equations or code, a diagram, and a small numerical example. If one representation disagrees with another, that disagreement is useful evidence.
- **Failure modes:** I keep the nearest counterexample in mind: the boundary where the rule changes, the invariant breaks, or the model stops matching reality.
- **Communication:** My final answer names what the result means and what it does not establish. I do not let notation do the explanatory work for me.

Sanity check

Closed-note check. Can I teach double-entry recording and the ledger on a blank page, derive or reconstruct its main rule, work a fresh example, and diagnose a deliberately broken solution? If I can only recognize the finished work, I am not done.

How this chapter connects

I read this chapter as the bridge from accounting language and the accounting equation to accruals, deferrals, and the adjusted trial balance. The earlier material supplies the language and constraints; this chapter adds a new reasoning move; the later material asks me to use that move without being told its name. That connection matters because exams and real projects mix chapters on purpose.

The full working model

- **Core claim.** Debits and credits are directional conventions tied to account type, not synonyms for good and bad.
- **What moves.** Journal entries preserve equality, ledgers collect account histories, and the trial balance tests arithmetic equality.

- **What keeps the answer honest.** The model becomes useful only when I can apply double-entry recording and the ledger to an unfamiliar case and defend the assumptions.
- **Mastery standard.** I can define the objects, rebuild the rule, work a fresh case, compare alternatives, and diagnose a broken solution without relying on recognition.

How I actually think about it

I say the business event in plain English, name the affected accounts, then decide their normal sides.

The easy version

Debits and credits are directional conventions tied to account type, not synonyms for good and bad.

Worked example

Question. A company buys 3000 of equipment for 1000 cash and a 2000 note. Record the entry.
Walkthrough. Debit Equipment 3000, credit Cash 1000, and credit Notes Payable 2000. Total debits and credits are both 3000.

Common miss

The fastest way to get this chapter wrong is to use the visible procedure without naming its assumption, units, time period, reference group, or boundary. I put that condition beside the work and verify the result independently.

Solved chapter practice

Practice 1. A company buys 3000 of equipment for 1000 cash and a 2000 note. Record the entry.
Solution. Debit Equipment 3000, credit Cash 1000, and credit Notes Payable 2000. Total debits and credits are both 3000.

Practice 2. Explain double-entry recording and the ledger to a classmate using one definition, one concrete example, one assumption, and one failure mode.

Solution. Begin with the core claim above, use the worked case as the concrete example, state the condition highlighted by the warning, and choose a failure where that condition does not hold. A complete explanation connects all four pieces instead of listing them.

Mastery practice A. Reconstruct double-entry recording and the ledger from a blank page. Include the central definition, the governing rule, one required assumption, and one boundary case.

Solution. Start from the blue idea box, but rewrite it in my own words. Identify the objects and state, name the rule before using it, copy the relevant assumption from the details audit, and choose a boundary where that assumption becomes equality or fails. A complete solution explains why each part belongs; a list of vocabulary is not enough.

Mastery practice B. A classmate gets a polished-looking answer to a double-entry recording and the ledger problem but never states a model or checks the result. Write the shortest useful review of that solution.

Solution. I would ask four concrete questions: What exactly are the inputs and desired output? Which rule licenses the main step? Which assumption could invalidate it? Which independent check supports the conclusion? If the answer cannot survive those four questions, I treat the numerical or verbal result as unverified.

CHAPTER 3 Accruals, deferrals, and the adjusted trial balance

The idea

Accrual accounting recognizes revenue when earned and expense when incurred. Adjusting entries handle prepaid costs, unearned revenue, accrued revenue, accrued expense, depreciation, and estimates before statements are prepared.

Rebuild the chapter from first principles

The claim I need to own is this: Accrual accounting recognizes revenue when earned and expense when incurred. Adjusting entries handle prepaid costs, unearned revenue, accrued revenue, accrued expense, depreciation, and estimates before statements are prepared. I do not count that as learned just because the sentence looks familiar. I should be able to name the objects, state what changes and what stays fixed, recover the rule from the definitions, and explain why the result is allowed.

The move

My working sequence

1. **Translate.** Rewrite the prompt in the language of accruals, deferrals, and the adjusted trial balance. List the known quantities, the unknown, the units or types, and any hidden constraint.
2. **Choose.** State the theorem, model, algorithm, accounting rule, or physical law before substituting values. This is where I make the assumption visible.
3. **Execute.** Work one justified step at a time and keep intermediate state readable enough that I can audit it later.
4. **Verify.** Check a boundary case, sign, unit, invariant, order of magnitude, or alternative derivation. Then translate the result back into an ordinary sentence.

Details I would refuse to skip

- **Definitions:** I should be able to define every technical noun in the chapter without using that same noun in the definition.
- **Assumptions:** I write the condition that makes the method legal beside the method itself. A correct procedure under the wrong assumptions is still a wrong answer.
- **Representation:** I move freely among words, equations or code, a diagram, and a small numerical example. If one representation disagrees with another, that disagreement is useful evidence.

- **Failure modes:** I keep the nearest counterexample in mind: the boundary where the rule changes, the invariant breaks, or the model stops matching reality.
- **Communication:** My final answer names what the result means and what it does not establish. I do not let notation do the explanatory work for me.

Sanity check

Closed-note check. Can I teach accruals, deferrals, and the adjusted trial balance on a blank page, derive or reconstruct its main rule, work a fresh example, and diagnose a deliberately broken solution? If I can only recognize the finished work, I am not done.

How this chapter connects

I read this chapter as the bridge from double-entry recording and the ledger to financial statements and closing the period. The earlier material supplies the language and constraints; this chapter adds a new reasoning move; the later material asks me to use that move without being told its name. That connection matters because exams and real projects mix chapters on purpose.

The full working model

- **Core claim.** Accrual accounting recognizes revenue when earned and expense when incurred.
- **What moves.** Adjusting entries handle prepaid costs, unearned revenue, accrued revenue, accrued expense, depreciation, and estimates before statements are prepared.
- **What keeps the answer honest.** The model becomes useful only when I can apply accruals, deferrals, and the adjusted trial balance to an unfamiliar case and defend the assumptions.
- **Mastery standard.** I can define the objects, rebuild the rule, work a fresh case, compare alternatives, and diagnose a broken solution without relying on recognition.

How I actually think about it

I ask what part of the economic activity belongs to this period even if cash moved earlier or later.

The easy version

Accrual accounting recognizes revenue when earned and expense when incurred.

Worked example

Question. At year-end, 600 of a 2400 annual insurance prepayment has expired. Adjust the books.

Walkthrough. Debit Insurance Expense 600 and credit Prepaid Insurance 600. The entry moves the consumed benefit from the balance sheet to the current period's income statement.

Common miss

The fastest way to get this chapter wrong is to use the visible procedure without naming its assumption, units, time period, reference group, or boundary. I put that condition beside the work and verify the result independently.

Solved chapter practice

Practice 1. At year-end, 600 of a 2400 annual insurance prepayment has expired. Adjust the books.

Solution. Debit Insurance Expense 600 and credit Prepaid Insurance 600. The entry moves the consumed benefit from the balance sheet to the current period's income statement.

Practice 2. Explain accruals, deferrals, and the adjusted trial balance to a classmate using one definition, one concrete example, one assumption, and one failure mode.

Solution. Begin with the core claim above, use the worked case as the concrete example, state the condition highlighted by the warning, and choose a failure where that condition does not hold. A complete explanation connects all four pieces instead of listing them.

Mastery practice A. Reconstruct accruals, deferrals, and the adjusted trial balance from a blank page. Include the central definition, the governing rule, one required assumption, and one boundary case.

Solution. Start from the blue idea box, but rewrite it in my own words. Identify the objects and state, name the rule before using it, copy the relevant assumption from the details audit, and choose a boundary where that assumption becomes equality or fails. A complete solution explains why each part belongs; a list of vocabulary is not enough.

Mastery practice B. A classmate gets a polished-looking answer to a accruals, deferrals, and the adjusted trial balance problem but never states a model or checks the result. Write the shortest useful review of that solution.

Solution. I would ask four concrete questions: What exactly are the inputs and desired output? Which rule licenses the main step? Which assumption could invalidate it? Which independent check supports the conclusion? If the answer cannot survive those four questions, I treat the numerical or verbal result as unverified.

CHAPTER 4 Financial statements and closing the period

The idea

The income statement measures performance over a period, retained earnings reconciles accumulated profit and distributions, the balance sheet reports a point-in-time position, and cash flows explain cash movement by operating, investing, and financing activity.

Rebuild the chapter from first principles

The claim I need to own is this: The income statement measures performance over a period, retained earnings reconciles accumulated profit and distributions, the balance sheet reports a point-in-time po-

sition, and cash flows explain cash movement by operating, investing, and financing activity. I do not count that as learned just because the sentence looks familiar. I should be able to name the objects, state what changes and what stays fixed, recover the rule from the definitions, and explain why the result is allowed.

The move

My working sequence

1. **Translate.** Rewrite the prompt in the language of financial statements and closing the period. List the known quantities, the unknown, the units or types, and any hidden constraint.
2. **Choose.** State the theorem, model, algorithm, accounting rule, or physical law before substituting values. This is where I make the assumption visible.
3. **Execute.** Work one justified step at a time and keep intermediate state readable enough that I can audit it later.
4. **Verify.** Check a boundary case, sign, unit, invariant, order of magnitude, or alternative derivation. Then translate the result back into an ordinary sentence.

Details I would refuse to skip

- **Definitions:** I should be able to define every technical noun in the chapter without using that same noun in the definition.
- **Assumptions:** I write the condition that makes the method legal beside the method itself. A correct procedure under the wrong assumptions is still a wrong answer.
- **Representation:** I move freely among words, equations or code, a diagram, and a small numerical example. If one representation disagrees with another, that disagreement is useful evidence.
- **Failure modes:** I keep the nearest counterexample in mind: the boundary where the rule changes, the invariant breaks, or the model stops matching reality.
- **Communication:** My final answer names what the result means and what it does not establish. I do not let notation do the explanatory work for me.

Sanity check

Closed-note check. Can I teach financial statements and closing the period on a blank page, derive or reconstruct its main rule, work a fresh example, and diagnose a deliberately broken solution? If I can only recognize the finished work, I am not done.

How this chapter connects

I read this chapter as the bridge from accruals, deferrals, and the adjusted trial balance to cash, receivables, revenue, and internal control. The earlier material supplies the language and constraints; this chapter adds a new reasoning move; the later material asks me to use that move without being told its name. That connection matters because exams and real projects mix chapters on purpose.

The full working model

- **Core claim.** The income statement measures performance over a period, retained earnings reconciles accumulated profit and distributions, the balance sheet reports a point-in-time position, and cash flows explain cash movement by operating, investing, and financing activity.
- **What moves.** The model becomes useful only when I can apply financial statements and closing the period to an unfamiliar case and defend the assumptions.
- **What keeps the answer honest.** The model becomes useful only when I can apply financial statements and closing the period to an unfamiliar case and defend the assumptions.
- **Mastery standard.** I can define the objects, rebuild the rule, work a fresh case, compare alternatives, and diagnose a broken solution without relying on recognition.

How I actually think about it

I trace net income into retained earnings and then into equity so the statements feel like one system.

The easy version

The income statement measures performance over a period, retained earnings reconciles accumulated profit and distributions, the balance sheet reports a point-in-time position, and cash flows explain cash movement by operating, investing, and financing activity.

Worked example

Question. Net income is 5000 and dividends are 1200. How does retained earnings change?

Walkthrough. Retained earnings increases by 3800. Revenue and expense accounts close into retained earnings; dividends reduce retained earnings but are not an expense.

Common miss

The fastest way to get this chapter wrong is to use the visible procedure without naming its assumption, units, time period, reference group, or boundary. I put that condition beside the work and verify the result independently.

Solved chapter practice

Practice 1. Net income is 5000 and dividends are 1200. How does retained earnings change?

Solution. Retained earnings increases by 3800. Revenue and expense accounts close into retained earnings; dividends reduce retained earnings but are not an expense.

Practice 2. Explain financial statements and closing the period to a classmate using one definition, one concrete example, one assumption, and one failure mode.

Solution. Begin with the core claim above, use the worked case as the concrete example, state the condition highlighted by the warning, and choose a failure where that condition does not hold. A complete explanation connects all four pieces instead of listing them.

Mastery practice A. Reconstruct financial statements and closing the period from a blank page.

Include the central definition, the governing rule, one required assumption, and one boundary case.

Solution. Start from the blue idea box, but rewrite it in my own words. Identify the objects and state, name the rule before using it, copy the relevant assumption from the details audit, and choose a boundary where that assumption becomes equality or fails. A complete solution explains why each part belongs; a list of vocabulary is not enough.

Mastery practice B. A classmate gets a polished-looking answer to a financial statements and closing the period problem but never states a model or checks the result. Write the shortest useful review of that solution.

Solution. I would ask four concrete questions: What exactly are the inputs and desired output? Which rule licenses the main step? Which assumption could invalidate it? Which independent check supports the conclusion? If the answer cannot survive those four questions, I treat the numerical or verbal result as unverified.

CHAPTER 5 Cash, receivables, revenue, and internal control

The idea

Revenue recognition separates earning from collection. Receivables require credit-loss estimates, cash requires segregation of duties and reconciliation, and controls reduce opportunity for error or fraud without guaranteeing prevention.

Rebuild the chapter from first principles

The claim I need to own is this: Revenue recognition separates earning from collection. Receivables require credit-loss estimates, cash requires segregation of duties and reconciliation, and controls reduce opportunity for error or fraud without guaranteeing prevention. I do not count that as learned just because the sentence looks familiar. I should be able to name the objects, state what changes and what stays fixed, recover the rule from the definitions, and explain why the result is allowed.

The move

My working sequence

1. **Translate.** Rewrite the prompt in the language of cash, receivables, revenue, and internal control. List the known quantities, the unknown, the units or types, and any hidden constraint.
2. **Choose.** State the theorem, model, algorithm, accounting rule, or physical law before substituting values. This is where I make the assumption visible.
3. **Execute.** Work one justified step at a time and keep intermediate state readable enough that I can audit it later.
4. **Verify.** Check a boundary case, sign, unit, invariant, order of magnitude, or alternative derivation. Then translate the result back into an ordinary sentence.

Details I would refuse to skip

- **Definitions:** I should be able to define every technical noun in the chapter without using that same noun in the definition.
- **Assumptions:** I write the condition that makes the method legal beside the method itself. A correct procedure under the wrong assumptions is still a wrong answer.
- **Representation:** I move freely among words, equations or code, a diagram, and a small numerical example. If one representation disagrees with another, that disagreement is useful evidence.
- **Failure modes:** I keep the nearest counterexample in mind: the boundary where the rule changes, the invariant breaks, or the model stops matching reality.
- **Communication:** My final answer names what the result means and what it does not establish. I do not let notation do the explanatory work for me.

Sanity check

Closed-note check. Can I teach cash, receivables, revenue, and internal control on a blank page, derive or reconstruct its main rule, work a fresh example, and diagnose a deliberately broken solution? If I can only recognize the finished work, I am not done.

How this chapter connects

I read this chapter as the bridge from financial statements and closing the period to inventory and cost of goods sold. The earlier material supplies the language and constraints; this chapter adds a new reasoning move; the later material asks me to use that move without being told its name. That connection matters because exams and real projects mix chapters on purpose.

The full working model

- **Core claim.** Revenue recognition separates earning from collection.
- **What moves.** Receivables require credit-loss estimates, cash requires segregation of duties and reconciliation, and controls reduce opportunity for error or fraud without guaranteeing prevention.
- **What keeps the answer honest.** The model becomes useful only when I can apply cash, receivables, revenue, and internal control to an unfamiliar case and defend the assumptions.
- **Mastery standard.** I can define the objects, rebuild the rule, work a fresh case, compare alternatives, and diagnose a broken solution without relying on recognition.

How I actually think about it

Cash is the easiest asset to understand and the easiest to steal, so I treat the control design as part of the accounting.

The easy version

Revenue recognition separates earning from collection.

Worked example

Question. Accounts receivable is 100000 and expected credit losses are 3 percent. Record the estimate.

Walkthrough. Debit Bad Debt Expense 3000 and credit Allowance for Doubtful Accounts 3000. The allowance is a contra-asset that reports receivables at expected collectible value.

Common miss

The fastest way to get this chapter wrong is to use the visible procedure without naming its assumption, units, time period, reference group, or boundary. I put that condition beside the work and verify the result independently.

Solved chapter practice

Practice 1. Accounts receivable is 100000 and expected credit losses are 3 percent. Record the estimate.

Solution. Debit Bad Debt Expense 3000 and credit Allowance for Doubtful Accounts 3000. The allowance is a contra-asset that reports receivables at expected collectible value.

Practice 2. Explain cash, receivables, revenue, and internal control to a classmate using one definition, one concrete example, one assumption, and one failure mode.

Solution. Begin with the core claim above, use the worked case as the concrete example, state the condition highlighted by the warning, and choose a failure where that condition does not hold. A complete explanation connects all four pieces instead of listing them.

Mastery practice A. Reconstruct cash, receivables, revenue, and internal control from a blank page. Include the central definition, the governing rule, one required assumption, and one boundary case.

Solution. Start from the blue idea box, but rewrite it in my own words. Identify the objects and state, name the rule before using it, copy the relevant assumption from the details audit, and choose a boundary where that assumption becomes equality or fails. A complete solution explains why each part belongs; a list of vocabulary is not enough.

Mastery practice B. A classmate gets a polished-looking answer to a cash, receivables, revenue, and internal control problem but never states a model or checks the result. Write the shortest useful review of that solution.

Solution. I would ask four concrete questions: What exactly are the inputs and desired output? Which rule licenses the main step? Which assumption could invalidate it? Which independent check supports the conclusion? If the answer cannot survive those four questions, I treat the numerical or verbal result as unverified.

CHAPTER 6 Inventory and cost of goods sold

The idea

Inventory accounting connects purchase cost, goods available, ending inventory, and cost of goods sold. Specific identification, FIFO, LIFO, and weighted average allocate cost differently when prices change, affecting income, tax, and balance-sheet values.

Rebuild the chapter from first principles

The claim I need to own is this: Inventory accounting connects purchase cost, goods available, ending inventory, and cost of goods sold. Specific identification, FIFO, LIFO, and weighted average allocate cost differently when prices change, affecting income, tax, and balance-sheet values. I do not count that as learned just because the sentence looks familiar. I should be able to name the objects, state what changes and what stays fixed, recover the rule from the definitions, and explain why the result is allowed.

The move

My working sequence

1. **Translate.** Rewrite the prompt in the language of inventory and cost of goods sold. List the known quantities, the unknown, the units or types, and any hidden constraint.
2. **Choose.** State the theorem, model, algorithm, accounting rule, or physical law before substituting values. This is where I make the assumption visible.
3. **Execute.** Work one justified step at a time and keep intermediate state readable enough that I can audit it later.
4. **Verify.** Check a boundary case, sign, unit, invariant, order of magnitude, or alternative derivation. Then translate the result back into an ordinary sentence.

Details I would refuse to skip

- **Definitions:** I should be able to define every technical noun in the chapter without using that same noun in the definition.
- **Assumptions:** I write the condition that makes the method legal beside the method itself. A correct procedure under the wrong assumptions is still a wrong answer.
- **Representation:** I move freely among words, equations or code, a diagram, and a small numerical example. If one representation disagrees with another, that disagreement is useful evidence.
- **Failure modes:** I keep the nearest counterexample in mind: the boundary where the rule changes, the invariant breaks, or the model stops matching reality.
- **Communication:** My final answer names what the result means and what it does not establish. I do not let notation do the explanatory work for me.

Sanity check

Closed-note check. Can I teach inventory and cost of goods sold on a blank page, derive or reconstruct its main rule, work a fresh example, and diagnose a deliberately broken solution? If I can only recognize the finished work, I am not done.

How this chapter connects

I read this chapter as the bridge from cash, receivables, revenue, and internal control to long-lived assets, depreciation, and intangibles. The earlier material supplies the language and constraints; this chapter adds a new reasoning move; the later material asks me to use that move without being told its name. That connection matters because exams and real projects mix chapters on purpose.

The full working model

- **Core claim.** Inventory accounting connects purchase cost, goods available, ending inventory, and cost of goods sold.
- **What moves.** Specific identification, FIFO, LIFO, and weighted average allocate cost differently when prices change, affecting income, tax, and balance-sheet values.
- **What keeps the answer honest.** The model becomes useful only when I can apply inventory and cost of goods sold to an unfamiliar case and defend the assumptions.
- **Mastery standard.** I can define the objects, rebuild the rule, work a fresh case, compare alternatives, and diagnose a broken solution without relying on recognition.

How I actually think about it

I keep physical flow separate from cost-flow assumption; the accounting label does not necessarily describe which box left the shelf.

The easy version

Inventory accounting connects purchase cost, goods available, ending inventory, and cost of goods sold.

Worked example

Question. Beginning inventory is 10 units at 5 and purchases are 10 at 7. Twelve units sell. Find FIFO ending inventory.

Walkthrough. FIFO assigns the oldest 10 units at 5 and two units at 7 to cost of goods sold, totaling 64. Ending inventory is eight newer units at 7, or 56.

Common miss

The fastest way to get this chapter wrong is to use the visible procedure without naming its assumption, units, time period, reference group, or boundary. I put that condition beside the work and verify the result independently.

Solved chapter practice

Practice 1. Beginning inventory is 10 units at 5 and purchases are 10 at 7. Twelve units sell. Find FIFO ending inventory.

Solution. FIFO assigns the oldest 10 units at 5 and two units at 7 to cost of goods sold, totaling 64. Ending inventory is eight newer units at 7, or 56.

Practice 2. Explain inventory and cost of goods sold to a classmate using one definition, one concrete example, one assumption, and one failure mode.

Solution. Begin with the core claim above, use the worked case as the concrete example, state the condition highlighted by the warning, and choose a failure where that condition does not hold. A complete explanation connects all four pieces instead of listing them.

Mastery practice A. Reconstruct inventory and cost of goods sold from a blank page. Include the central definition, the governing rule, one required assumption, and one boundary case.

Solution. Start from the blue idea box, but rewrite it in my own words. Identify the objects and state, name the rule before using it, copy the relevant assumption from the details audit, and choose a boundary where that assumption becomes equality or fails. A complete solution explains why each part belongs; a list of vocabulary is not enough.

Mastery practice B. A classmate gets a polished-looking answer to a inventory and cost of goods sold problem but never states a model or checks the result. Write the shortest useful review of that solution.

Solution. I would ask four concrete questions: What exactly are the inputs and desired output? Which rule licenses the main step? Which assumption could invalidate it? Which independent check supports the conclusion? If the answer cannot survive those four questions, I treat the numerical or verbal result as unverified.

CHAPTER 7 Long-lived assets, depreciation, and intangibles

The idea

Long-lived asset cost includes expenditures needed to prepare the asset for use. Depreciation allocates depreciable cost over useful life; impairment, disposal, natural-resource depletion, and intangible amortization answer related but distinct measurement questions.

Rebuild the chapter from first principles

The claim I need to own is this: Long-lived asset cost includes expenditures needed to prepare the asset for use. Depreciation allocates depreciable cost over useful life; impairment, disposal, natural-resource depletion, and intangible amortization answer related but distinct measurement questions. I do not count that as learned just because the sentence looks familiar. I should be able to name the objects, state what changes and what stays fixed, recover the rule from the definitions, and explain why the result is allowed.

The move

My working sequence

1. **Translate.** Rewrite the prompt in the language of long-lived assets, depreciation, and intangibles. List the known quantities, the unknown, the units or types, and any hidden constraint.
2. **Choose.** State the theorem, model, algorithm, accounting rule, or physical law before substituting values. This is where I make the assumption visible.
3. **Execute.** Work one justified step at a time and keep intermediate state readable enough that I can audit it later.
4. **Verify.** Check a boundary case, sign, unit, invariant, order of magnitude, or alternative derivation. Then translate the result back into an ordinary sentence.

Details I would refuse to skip

- **Definitions:** I should be able to define every technical noun in the chapter without using that same noun in the definition.
- **Assumptions:** I write the condition that makes the method legal beside the method itself. A correct procedure under the wrong assumptions is still a wrong answer.
- **Representation:** I move freely among words, equations or code, a diagram, and a small numerical example. If one representation disagrees with another, that disagreement is useful evidence.
- **Failure modes:** I keep the nearest counterexample in mind: the boundary where the rule changes, the invariant breaks, or the model stops matching reality.
- **Communication:** My final answer names what the result means and what it does not establish. I do not let notation do the explanatory work for me.

Sanity check

Closed-note check. Can I teach long-lived assets, depreciation, and intangibles on a blank page, derive or reconstruct its main rule, work a fresh example, and diagnose a deliberately broken solution? If I can only recognize the finished work, I am not done.

How this chapter connects

I read this chapter as the bridge from inventory and cost of goods sold to current liabilities, contingencies, and statement analysis. The earlier material supplies the language and constraints; this chapter adds a new reasoning move; the later material asks me to use that move without being told its name. That connection matters because exams and real projects mix chapters on purpose.

The full working model

- **Core claim.** Long-lived asset cost includes expenditures needed to prepare the asset for use.
- **What moves.** Depreciation allocates depreciable cost over useful life; impairment, disposal, natural-resource depletion, and intangible amortization answer related but distinct measurement questions.

- **What keeps the answer honest.** The model becomes useful only when I can apply long-lived assets, depreciation, and intangibles to an unfamiliar case and defend the assumptions.
- **Mastery standard.** I can define the objects, rebuild the rule, work a fresh case, compare alternatives, and diagnose a broken solution without relying on recognition.

How I actually think about it

My shorthand for this chapter is: my shorthand for this chapter is: depreciation is allocation, not a claim that market value fell by the same amount.

The easy version

Long-lived asset cost includes expenditures needed to prepare the asset for use.

Worked example

Question. Equipment costs 52000, has 4000 residual value, and a six-year life. Find annual straight-line depreciation.

Walkthrough. Depreciable cost is 48000. Dividing by six gives 8000 annual depreciation; debit expense and credit accumulated depreciation.

Common miss

The fastest way to get this chapter wrong is to use the visible procedure without naming its assumption, units, time period, reference group, or boundary. I put that condition beside the work and verify the result independently.

Solved chapter practice

Practice 1. Equipment costs 52000, has 4000 residual value, and a six-year life. Find annual straight-line depreciation.

Solution. Depreciable cost is 48000. Dividing by six gives 8000 annual depreciation; debit expense and credit accumulated depreciation.

Practice 2. Explain long-lived assets, depreciation, and intangibles to a classmate using one definition, one concrete example, one assumption, and one failure mode.

Solution. Begin with the core claim above, use the worked case as the concrete example, state the condition highlighted by the warning, and choose a failure where that condition does not hold. A complete explanation connects all four pieces instead of listing them.

Mastery practice A. Reconstruct long-lived assets, depreciation, and intangibles from a blank page. Include the central definition, the governing rule, one required assumption, and one boundary case.

Solution. Start from the blue idea box, but rewrite it in my own words. Identify the objects and state, name the rule before using it, copy the relevant assumption from the details audit, and choose a boundary where that assumption becomes equality or fails. A complete solution explains why each part belongs; a list of vocabulary is not enough.

Mastery practice B. A classmate gets a polished-looking answer to a long-lived assets, depreciation, and intangibles problem but never states a model or checks the result. Write the shortest

useful review of that solution.

Solution. I would ask four concrete questions: What exactly are the inputs and desired output? Which rule licenses the main step? Which assumption could invalidate it? Which independent check supports the conclusion? If the answer cannot survive those four questions, I treat the numerical or verbal result as unverified.

CHAPTER 8 Current liabilities, contingencies, and statement analysis

The idea

Current liabilities include obligations expected to be settled with current resources. Payables, payroll, interest, warranties, and contingencies require recognition or disclosure based on obligation and estimability; ratios connect statements to liquidity, efficiency, solvency, and profitability.

Rebuild the chapter from first principles

The claim I need to own is this: Current liabilities include obligations expected to be settled with current resources. Payables, payroll, interest, warranties, and contingencies require recognition or disclosure based on obligation and estimability; ratios connect statements to liquidity, efficiency, solvency, and profitability. I do not count that as learned just because the sentence looks familiar. I should be able to name the objects, state what changes and what stays fixed, recover the rule from the definitions, and explain why the result is allowed.

The move

My working sequence

1. **Translate.** Rewrite the prompt in the language of current liabilities, contingencies, and statement analysis. List the known quantities, the unknown, the units or types, and any hidden constraint.
2. **Choose.** State the theorem, model, algorithm, accounting rule, or physical law before substituting values. This is where I make the assumption visible.
3. **Execute.** Work one justified step at a time and keep intermediate state readable enough that I can audit it later.
4. **Verify.** Check a boundary case, sign, unit, invariant, order of magnitude, or alternative derivation. Then translate the result back into an ordinary sentence.

Details I would refuse to skip

- **Definitions:** I should be able to define every technical noun in the chapter without using that same noun in the definition.
- **Assumptions:** I write the condition that makes the method legal beside the method itself. A correct procedure under the wrong assumptions is still a wrong answer.

- **Representation:** I move freely among words, equations or code, a diagram, and a small numerical example. If one representation disagrees with another, that disagreement is useful evidence.
- **Failure modes:** I keep the nearest counterexample in mind: the boundary where the rule changes, the invariant breaks, or the model stops matching reality.
- **Communication:** My final answer names what the result means and what it does not establish. I do not let notation do the explanatory work for me.

Sanity check

Closed-note check. Can I teach current liabilities, contingencies, and statement analysis on a blank page, derive or reconstruct its main rule, work a fresh example, and diagnose a deliberately broken solution? If I can only recognize the finished work, I am not done.

How this chapter connects

I read this chapter as the bridge from long-lived assets, depreciation, and intangibles to the cumulative course model. The earlier material supplies the language and constraints; this chapter adds a new reasoning move; the later material asks me to use that move without being told its name. That connection matters because exams and real projects mix chapters on purpose.

The full working model

- **Core claim.** Current liabilities include obligations expected to be settled with current resources.
- **What moves.** Payables, payroll, interest, warranties, and contingencies require recognition or disclosure based on obligation and estimability; ratios connect statements to liquidity, efficiency, solvency, and profitability.
- **What keeps the answer honest.** The model becomes useful only when I can apply current liabilities, contingencies, and statement analysis to an unfamiliar case and defend the assumptions.
- **Mastery standard.** I can define the objects, rebuild the rule, work a fresh case, compare alternatives, and diagnose a broken solution without relying on recognition.

How I actually think about it

I read a ratio as a question about the business, never as a score with one universal good value.

The easy version

Current liabilities include obligations expected to be settled with current resources.

Worked example

Question. Current assets are 150000 and current liabilities are 100000. Interpret the current ratio.

Walkthrough. The current ratio is 1.5. The company reports 1.50 of current assets per dollar of current liabilities, but quality, timing, inventory liquidity, seasonality, and industry context still matter.

Common miss

The fastest way to get this chapter wrong is to use the visible procedure without naming its assumption, units, time period, reference group, or boundary. I put that condition beside the work and verify the result independently.

Solved chapter practice

Practice 1. Current assets are 150000 and current liabilities are 100000. Interpret the current ratio.

Solution. The current ratio is 1.5. The company reports 1.50 of current assets per dollar of current liabilities, but quality, timing, inventory liquidity, seasonality, and industry context still matter.

Practice 2. Explain current liabilities, contingencies, and statement analysis to a classmate using one definition, one concrete example, one assumption, and one failure mode.

Solution. Begin with the core claim above, use the worked case as the concrete example, state the condition highlighted by the warning, and choose a failure where that condition does not hold. A complete explanation connects all four pieces instead of listing them.

Mastery practice A. Reconstruct current liabilities, contingencies, and statement analysis from a blank page. Include the central definition, the governing rule, one required assumption, and one boundary case.

Solution. Start from the blue idea box, but rewrite it in my own words. Identify the objects and state, name the rule before using it, copy the relevant assumption from the details audit, and choose a boundary where that assumption becomes equality or fails. A complete solution explains why each part belongs; a list of vocabulary is not enough.

Mastery practice B. A classmate gets a polished-looking answer to a current liabilities, contingencies, and statement analysis problem but never states a model or checks the result. Write the shortest useful review of that solution.

Solution. I would ask four concrete questions: What exactly are the inputs and desired output? Which rule licenses the main step? Which assumption could invalidate it? Which independent check supports the conclusion? If the answer cannot survive those four questions, I treat the numerical or verbal result as unverified.

Cumulative study plan

I use this packet in three passes. First I reconstruct each model and work its examples without looking. Second I mix chapters so the tool is no longer named for me. Third I explain a complete case aloud, including assumptions, units, uncertainty, failure modes, and what evidence would change my conclusion.