



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

Level 2, 2004

Accounting

**Explore the conceptual basis for accounting
for a sole proprietor (90220)**

**Process financial information for fixed assets
and balance-day adjustments (90221)**

**Demonstrate an understanding of
accounting subsystems (90223)**

**Report financial information for a sole proprietor
registered for GST on the invoice basis (90224)**

**Analyse, interpret and evaluate financial
information for a sole proprietor business (90225)**

National Statistics

Assessment Report

Assessment Schedule

Accounting, Level 2, 2004

General Comments

Candidates who understood the keywords of the achievement standard criteria (eg *describe, define, explain, identify*) used in the questions, were better able to answer questions appropriately.

Those who provided rote-learned responses generally did not relate their answer to the context of the question, or the subsystem or resource information provided, and so did not demonstrate an ability to apply their knowledge to a specific situation. The level of achievement for these candidates was generally limited to Achieved.

Questions involving the completion of financial statements and accounting records required candidates to show accurate attention to detail, the use of correct accounting terminology, and correct presentation.

In order to provide sufficient evidence for the attainment of standards, it is important for candidates to attempt all questions.

Accounting: Explore the conceptual basis for accounting for a sole proprietor (90220)

National Statistics

Number of Results	Percentage			
	Not Achieved	Achieved	Merit	Excellence
4,295	41.8%	26.7%	26.9%	4.6%

Assessment Report

Successful candidates read the questions carefully, understood the key verbs (*define, explain, state, explain why / how*) and demonstrated familiarity with the Statement of Concepts. They provided up-to-date and accurate definitions using correct accounting terminology.

Successful candidates were familiar with important definitions that included capital expenditure, prudence, depreciation, and accrual accounting. Such candidates understood that the key aspect of the accrual accounting definition is “*reporting transactions in the period they relate*”, and the correct definition of a liability requires stating the three characteristics of a liability in terms of “*past transaction, present obligation and future sacrifice*”.

Candidates who gained Achievement with Merit applied the accounting definitions in context, eg to an item or person, or a given situation. They wrote succinct and accurate answers that linked the context of the question to the definition. For example, to apply a liability they stated that the past transaction was a purchase on credit, the asset account bank decreasing (when paid) would be the future sacrifice, and the business had a current obligation / requirement to pay the amount owed.

Assessment Schedule

Accounting: Explore the conceptual basis of accounting for a sole proprietor (90220)

Evidence Statement

Question	Evidence	Code
(a)	<p>Recognises or applies the link between existing debt level and loan manager approval.</p> <ul style="list-style-type: none"> To see the existing loans Photo Centre has (R), to establish that they will not be overcommitted (A) To calculate the equity ratio (R) and assess the risk involved in lending. (A) To see the current short-term debt commitments (R) Photo Centre has to meet (R) to see they are manageable/not going to be overcommitted. (A) To compare his existing liabilities to his assets (R) to assess security for the new loan. (A) 	R or A
(b)	<p>Defines accrual assumption, indicated by bolding; must include “reported in the period they relate”. May include “irrespective of whether cash is paid or received”.</p> <p>Applies the definition to insurance paid in advance and its recording in the Financial Position.</p> <ul style="list-style-type: none"> Transactions are recorded/recognised when they occur and reported in the period they relate. (D) The insurance prepaid is recorded as an asset/prepayment of this period because the benefits of the insurance cover will occur/be received in the next accounting period/future. (A) 	D and A
(c)	<p>Defines reporting period.</p> <p>Applies the definition to Photo Centre’s Statement of Financial Performance.</p> <ul style="list-style-type: none"> The life of business/economic activity of Photo Centre is divided into nominated time periods (D) to provide timely information/for decision making purposes/to compare profit from year to year or other entities. (A) Photo Centre’s Statement of Financial performance will be prepared for the year ended 31 March as it reports the profit for this period. (A) To measure Photo Centre’s profit on a regular basis. (A) 	D and A
(d) (i)	Units of Use/Units of Output.	R
(ii)	<p>Defines an expense, including all bolded aspects. Must not refer to increase in liabilities.</p> <ul style="list-style-type: none"> Depreciation on photo developing equipment is a consumption of service potential/future economic benefits in the form of the reduction in asset that results in a decrease in owners equity other than a distribution to the owners. (D) <p>Applies the definition fully to depreciation including all aspects as bolded. Must refer to the consumption of service potential of the photo developing equipment, and must not refer to “increase in liability”.</p> <ul style="list-style-type: none"> Depreciation on photo developing equipment is a consumption/use/loss of service potential/future economic benefits through the use of the photo developing equipment in the form of the reduction in asset photo developing equipment that results in a decrease in owner’s equity as net profit is reduced/expenses are increased. (A) <p>Note: ‘Future economic benefits’ can be substituted for ‘service potential’.</p>	D or A

Question	Evidence	Code
(e) (i)	<p>Defines prudence. Must refer to “not overstating assets”.</p> <ul style="list-style-type: none"> • <i>Prudence requires you do not overstate assets.</i> • <i>Prudence requires that when dealing with uncertainties a degree of caution in making estimates is necessary to ensure that assets and revenues are not overstated and liabilities and expenses are not understated.</i> 	D
	(ii) \$500	R
	(iii) Applies prudence by saying inventory/photo albums not overstated. Gives justification of prudence in terms of amount reflecting future economic benefit. <ul style="list-style-type: none"> • <i>Reporting the asset inventory at \$500 ensures photo albums, frames/inventory is not overstated (A) as \$500 reflects the future economic benefit to be gained from it. (J)</i> • <i>Inventory/photo albums is reported at the lower of cost and net realisable value because the economic benefits that will accrue/be gained from the sale are unlikely to meet the original cost paid for them. (A and J)</i> 	A and J
	(iv) Definition that includes all bolded words. <ul style="list-style-type: none"> • <i>Information is relevant to users if it has feedback and predictive value and is timely.</i> 	D
(f)	<p>Defines as indicated by bolding.</p> <ul style="list-style-type: none"> • <i>Capital expenditure is expenditure that will benefit the business over future years/ beyond the current financial period/that does not affect owners equity.</i> <p>Gives a justification in terms of ‘future/beyond this year benefits or service potential’. “The creation of an asset” is insufficient unless linked to future economic benefit.</p> <ul style="list-style-type: none"> • <i>The new display cabinet will provide service potential by displaying cameras to the business beyond the current financial year (and so is added to the asset account balance/capitalised).</i> 	D or J
(g) (i)	<p>Definition given that includes past transaction, present obligation and future sacrifice.</p> <ul style="list-style-type: none"> • <i>Accounts payables are a future sacrifice of service potential or future economic benefits that the entity is presently obliged to make to other entities as the result of a past transaction.</i> <p>Applies three characteristics as indicated by bolding. Must state what the transaction was, what the sacrifice will be, and the obligation.</p> <ul style="list-style-type: none"> • <i>Accounts payable are the result of a past transaction when the goods were bought on credit, a future sacrifice will be the cash required to pay the liability/decrease in bank account when paid and there is a present/current/legal obligation to pay what is owed. (A)</i> 	D or A

Question	Evidence	Code
(g) (ii)	<p>ONE criterion justified as indicated by bolding.</p> <ul style="list-style-type: none"> <i>It is probable that the future sacrifice will eventuate as Mark will pay Photo Centre's bills/debts in the future, therefore sacrificing money/assets. (J)</i> <i>It is probable Mark will pay the debt in the next period so the sacrifice of (asset) cash will occur.</i> <p>OR</p> <ul style="list-style-type: none"> <i>The liability can be measured with reliability as there is source documentation/ invoices providing proof of the amount. (J)</i> <i>There is a source document/invoice that provides a reliable measure. (J)</i> 	J
(h) (i)	First In First Out (or FIFO).	R
(ii)	<p>Applies by stating an advantage of perpetual inventory.</p> <p>Justifies by giving an advantage of perpetual inventory over periodic inventory, must link the two systems for J.</p> <ul style="list-style-type: none"> <i>Perpetual allows you to prepare to financial statements at any time (A) without having to perform a stocktake/because the inventory value is available from the records (A); with a periodic system you have to do a stocktake to calculate closing inventory. (J)</i> <i>Under perpetual if you compare the inventory records with a stocktake you can determine whether there has been theft of stock (A); under a periodic system you cannot do this/identify theft of stock. (J)</i> <i>The value of inventory is available at any time (A) by looking at the inventory records/ totalling the inventory record/cards (A), but a stocktake is required to find closing inventory under a periodic system. (J)</i> 	A or J
(i)	<p>Defines as bolded.</p> <p>Applies by stating that drawings are not a business expense.</p> <p>Justifies by linking the application of the <u>accounting entity notion</u> and that the film (supplies) is not a business expense / is a personal expense and these must be kept separate.</p> <ul style="list-style-type: none"> <i>According to the Accounting Entity concept (J), the personal financial affairs/ transactions of the owner must be kept separate from his business affairs/ transactions. (D)</i> <i>The inventory/film (supplies) taken home is recorded as drawing as it is not a business expense (A) as the notion of accounting entity requires that personal and business transactions be kept separate. (J)</i> <i>Film (supplies) for self/owner does not meet the expense definition (A) as it is a distribution to the owner. (J)</i> 	D or A and J

Judgement Statement

Achievement	Merit	Excellence
3 × D	3 × A	3 × A
3 other R, D, A or J	5 other R, D, A or J	3 × J
A in (c), (d)(ii), (g)(i) or (i) can count as D if required.	J in (h)(ii) can count as an A if required.	5 other R, D, A or J
J in (f) can count as D if required.		

Codes

R = Recognise D = Define A = Apply J = Justify

Accounting: Process financial information for fixed assets and balance-day adjustments (90221)

National Statistics

Number of Results	Percentage			
	Not Achieved	Achieved	Merit	Excellence
4,379	32.9%	27.7%	20.4%	19.0%

Assessment Report

Candidates who achieved this standard used, in their general journal entries, the account names given in the trial balance and the account names specified in Explanatory Note 4 of the standard, eg accrued expenses and allowance for doubtful debts. In the general ledger entries they provided evidence with correct debit and credit entries and used the correct contra account names. They were also able to correctly complete at least one fixed asset transaction involving either depreciation of, or the purchase or disposal of, a fixed asset.

Candidates who gained Achievement understood that, for an entry in the general ledger to be correct, the account name entered in the particulars column (the contra account) must be accurate. An accurate contra account is the account name used in the trial balance that is relevant to the transaction. For example, 'accrued expenses' was the contra in the Interest on Loan account and 'Depreciation – Tour Van' in the Accumulated Depreciation on Tour Van general ledger account.

Candidates who gained Achievement with Merit consistently used the correct contra accounts in the general ledger and were able to correctly calculate the balance-day adjustment amounts.

Candidates who gained Achievement with Excellence prepared a range of general journal and general ledger entries for balance-day adjustments, reversals, and closing entries, as well as the purchase and disposal of fixed assets using correct account names and contras. They had a sound understanding of the difference between a journal entry and a ledger entry and moved easily from question to question.

Calculating depreciation using the 'units of use' method was challenging for many candidates as was the calculation of allowance for doubtful debts.

Assessment Schedule

Accounting: Process financial information for fixed assets and balance-day adjustments (90221)

Evidence Statement

Question	Evidence																																			
<p>One (a)</p>	<p>Insurance of \$80 excluding GST is prepaid. GENERAL JOURNAL</p> <table border="1" data-bbox="347 524 1394 672"> <tr> <td data-bbox="347 524 493 568">31/3/04</td> <td data-bbox="493 524 975 568">Prepayments</td> <td data-bbox="975 524 1106 568">80</td> <td data-bbox="1106 524 1236 568"></td> <td data-bbox="1236 524 1394 568" rowspan="3" style="text-align: center; vertical-align: middle;">S</td> <td colspan="2"></td> </tr> <tr> <td data-bbox="347 568 493 613"></td> <td data-bbox="493 568 975 613">Insurance</td> <td data-bbox="975 568 1106 613"></td> <td data-bbox="1106 568 1236 613">80</td> <td colspan="2"></td> </tr> <tr> <td data-bbox="347 613 493 658"></td> <td data-bbox="493 613 975 658"></td> <td data-bbox="975 613 1106 658"></td> <td data-bbox="1106 613 1236 658"></td> <td colspan="2"></td> </tr> </table>						31/3/04	Prepayments	80		S				Insurance		80																			
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<p>(b)</p>	<p>Tour revenue of \$200 excluding GST has been received in advance. GENERAL JOURNAL</p> <table border="1" data-bbox="347 844 1394 992"> <tr> <td data-bbox="347 844 493 889">31/3/04</td> <td data-bbox="493 844 975 889">Tour Revenue (Received)</td> <td data-bbox="975 844 1106 889">200</td> <td data-bbox="1106 844 1236 889"></td> <td data-bbox="1236 844 1394 889" rowspan="3" style="text-align: center; vertical-align: middle;">S</td> <td colspan="2"></td> </tr> <tr> <td data-bbox="347 889 493 934"></td> <td data-bbox="493 889 975 934">Revenue (Received) in Advance</td> <td data-bbox="975 889 1106 934"></td> <td data-bbox="1106 889 1236 934">200</td> <td colspan="2"></td> </tr> <tr> <td data-bbox="347 934 493 978"></td> <td data-bbox="493 934 975 978"></td> <td data-bbox="975 934 1106 978"></td> <td data-bbox="1106 934 1236 978"></td> <td colspan="2"></td> </tr> </table>						31/3/04	Tour Revenue (Received)	200		S				Revenue (Received) in Advance		200																			
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<p>(c)</p>	<p>Bad Debts of \$900 including GST are to be written off. GENERAL JOURNAL</p> <table border="1" data-bbox="347 1144 1394 1292"> <tr> <td data-bbox="347 1144 493 1189">31/3/04</td> <td data-bbox="493 1144 975 1189">Bad Debts</td> <td data-bbox="975 1144 1106 1189">800</td> <td data-bbox="1106 1144 1236 1189"></td> <td data-bbox="1236 1144 1394 1189" rowspan="3" style="text-align: center; vertical-align: middle;">S</td> <td colspan="2"></td> </tr> <tr> <td data-bbox="347 1189 493 1234"></td> <td data-bbox="493 1189 975 1234">GST</td> <td data-bbox="975 1189 1106 1234">100</td> <td data-bbox="1106 1189 1236 1234"></td> <td colspan="2"></td> </tr> <tr> <td data-bbox="347 1234 493 1279"></td> <td data-bbox="493 1234 975 1279">Accounts Receivable</td> <td data-bbox="975 1234 1106 1279"></td> <td data-bbox="1106 1234 1236 1279">900</td> <td colspan="2"></td> </tr> </table>						31/3/04	Bad Debts	800		S				GST	100					Accounts Receivable		900													
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<p>(d)</p>	<p>Allowance for Doubtful Debts adjusted to 2% of Accounts Receivable. GENERAL JOURNAL</p> <table border="1" data-bbox="347 1426 1394 1574"> <tr> <td data-bbox="347 1426 493 1471">31/3/04</td> <td data-bbox="493 1426 975 1471">Allowance for Doubtful Debts</td> <td data-bbox="975 1426 1106 1471">38</td> <td data-bbox="1106 1426 1236 1471"></td> <td data-bbox="1236 1426 1394 1471" rowspan="3" style="text-align: center; vertical-align: middle;">C (S)</td> <td colspan="2"></td> </tr> <tr> <td data-bbox="347 1471 493 1516"></td> <td data-bbox="493 1471 975 1516">Doubtful Debts</td> <td data-bbox="975 1471 1106 1516"></td> <td data-bbox="1106 1471 1236 1516">38</td> <td colspan="2"></td> </tr> <tr> <td data-bbox="347 1516 493 1561"></td> <td data-bbox="493 1516 975 1561"></td> <td data-bbox="975 1516 1106 1561"></td> <td data-bbox="1106 1516 1236 1561"></td> <td colspan="2"></td> </tr> </table>						31/3/04	Allowance for Doubtful Debts	38		C (S)				Doubtful Debts		38																			
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<p>(e)</p>	<p>Accumulated Depreciation on Tour Van General Ledger Account. GENERAL LEDGER ACCUMULATED DEPRECIATION TOUR VAN</p> <table border="1" data-bbox="347 1839 1394 2076"> <thead> <tr> <th data-bbox="347 1839 477 1883"></th> <th data-bbox="477 1839 831 1883"></th> <th data-bbox="831 1839 975 1883">DR</th> <th data-bbox="975 1839 1134 1883">CR</th> <th data-bbox="1134 1839 1278 1883">Balance</th> <th data-bbox="1278 1839 1394 1883"></th> </tr> </thead> <tbody> <tr> <td data-bbox="347 1883 477 1928">31/3/04</td> <td data-bbox="477 1883 831 1928">Balance</td> <td data-bbox="831 1883 975 1928"></td> <td data-bbox="975 1883 1134 1928"></td> <td data-bbox="1134 1883 1278 1928">13 000</td> <td data-bbox="1278 1883 1394 1928">CR</td> </tr> <tr> <td data-bbox="347 1928 477 1973"></td> <td data-bbox="477 1928 831 1973">Depreciation – (Tour Van)</td> <td data-bbox="831 1928 975 1973"></td> <td data-bbox="975 1928 1134 1973">5 400 C (S)</td> <td data-bbox="1134 1928 1278 1973">18 400</td> <td data-bbox="1278 1928 1394 1973">CR</td> </tr> <tr> <td data-bbox="347 1973 477 2018"></td> <td data-bbox="477 1973 831 2018"></td> <td data-bbox="831 1973 975 2018"></td> <td data-bbox="975 1973 1134 2018"></td> <td data-bbox="1134 1973 1278 2018"></td> <td data-bbox="1278 1973 1394 2018"></td> </tr> <tr> <td data-bbox="347 2018 477 2063"></td> <td data-bbox="477 2018 831 2063"></td> <td data-bbox="831 2018 975 2063"></td> <td data-bbox="975 2018 1134 2063"></td> <td data-bbox="1134 2018 1278 2063"></td> <td data-bbox="1278 2018 1394 2063"></td> </tr> </tbody> </table> <p data-bbox="264 2085 1190 2119">Note: If account is closed by reversal or closing entry, no C (S) allowed.</p>								DR	CR	Balance		31/3/04	Balance			13 000	CR		Depreciation – (Tour Van)		5 400 C (S)	18 400	CR												
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<p>(f)</p>	<p>Show how the Interest on Loan account.</p> <p>GENERAL LEDGER – INTEREST ON LOAN</p> <table border="1" data-bbox="352 315 1401 506"> <tr> <td>31/3/04</td> <td>Balance</td> <td></td> <td></td> <td>720</td> <td>DR</td> </tr> <tr> <td></td> <td>Accrued Expenses</td> <td>240 C (S)</td> <td></td> <td>960</td> <td>DR</td> </tr> <tr> <td></td> <td>Performance Summary</td> <td></td> <td>960 S f-t</td> <td>0</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </table> <p style="text-align: center;"><i>Accept Income Summary</i></p> <p>Performance Summary entry must be balance figure for S f-t.</p> <p>(g)</p> <p>General Journal reversal entry for the Interest on Loan account.</p> <p>GENERAL JOURNAL</p> <table border="1" data-bbox="352 689 1401 831"> <tr> <td>1/4/04</td> <td>Accrued Expenses</td> <td></td> <td>240</td> <td></td> <td rowspan="3" style="text-align: center; vertical-align: middle;">S-ft</td> </tr> <tr> <td></td> <td>Interest on Loan</td> <td></td> <td></td> <td>240</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </table> <p>Accrued Expenses entry must be same figure as adjustment amount for S f-t</p>	31/3/04	Balance			720	DR		Accrued Expenses	240 C (S)		960	DR		Performance Summary		960 S f-t	0								1/4/04	Accrued Expenses		240		S-ft		Interest on Loan			240																														
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<p>Two</p> <p>(a)</p>	<p>Fixed Assets</p> <p>Purchase of new boat from <i>Morrinsville Marine</i> for \$90 000 (including GST)</p> <p>GENERAL JOURNAL</p> <table border="1" data-bbox="352 1025 1417 1216"> <tr> <td>30/9/04</td> <td>(Fishing) Boat (new)</td> <td></td> <td>80 000</td> <td></td> <td rowspan="4" style="text-align: center; vertical-align: middle;">S</td> </tr> <tr> <td></td> <td>GST</td> <td></td> <td>10 000</td> <td></td> </tr> <tr> <td></td> <td>Morrinsville Marine</td> <td></td> <td></td> <td>90 000</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </table> <p>(b)</p> <p>Complete the table below to show the depreciation expense on the old fishing Boat</p> <table border="1" data-bbox="352 1317 1417 1603"> <thead> <tr> <th>Year ended</th> <th>Km used</th> <th>Depreciation Expense</th> <th rowspan="5" style="text-align: center; vertical-align: middle;"> C (S) S if the table is completed and a pattern of depreciation is evident for 4 amounts C if 3 amounts are correct. </th> </tr> </thead> <tbody> <tr> <td>31/3/02</td> <td>10 000</td> <td>3 750</td> </tr> <tr> <td>31/3/03</td> <td>20 000</td> <td>7 500</td> </tr> <tr> <td>31/3/04</td> <td>20 000</td> <td>7 500</td> </tr> <tr> <td>30/9/05</td> <td>18 000</td> <td>6 750</td> </tr> <tr> <td colspan="2" style="text-align: center;">TOTAL</td> <td style="text-align: center;">25 500</td> <td></td> </tr> </tbody> </table> <p>(c)</p> <p>Show the entries to record the disposal of the old Fishing Boat.</p> <p>WHANGAMATA FISHING GENERAL LEDGER</p> <p style="text-align: center;">DISPOSAL OF FISHING BOAT (ASSET)</p> <table border="1" data-bbox="352 1742 1433 2011"> <tr> <td>30/9/04</td> <td><i>Fishing Boat</i></td> <td>40 000</td> <td></td> <td>40 000</td> <td>DR</td> </tr> <tr> <td></td> <td>Accumulated Depreciation</td> <td></td> <td>25 500 S-ft</td> <td>14 500</td> <td>DR</td> </tr> <tr> <td></td> <td>Morrinsville Marine</td> <td></td> <td>20 000 S</td> <td>5 500</td> <td>CR</td> </tr> <tr> <td></td> <td>Gain on Sale / Disposal</td> <td>5 500 C (S-ft)</td> <td></td> <td>–</td> <td></td> </tr> </table>	30/9/04	(Fishing) Boat (new)		80 000		S		GST		10 000			Morrinsville Marine			90 000						Year ended	Km used	Depreciation Expense	C (S) S if the table is completed and a pattern of depreciation is evident for 4 amounts C if 3 amounts are correct .	31/3/02	10 000	3 750	31/3/03	20 000	7 500	31/3/04	20 000	7 500	30/9/05	18 000	6 750	TOTAL		25 500		30/9/04	<i>Fishing Boat</i>	40 000		40 000	DR		Accumulated Depreciation		25 500 S-ft	14 500	DR		Morrinsville Marine		20 000 S	5 500	CR		Gain on Sale / Disposal	5 500 C (S-ft)		–	
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	Gain on Sale / Disposal	5 500 C (S-ft)		–																																																														

Question	Evidence																														
<p>Two (d)</p>	<p>Record transfer of the loss/gain on disposal to the financial performance summary.</p> <p>WHANGAMATA FISHING GENERAL JOURNAL</p> <table border="1" data-bbox="343 309 1422 504"> <tr> <td>30/9/04</td> <td>Gain on Sale/Disposal</td> <td>5 500</td> <td></td> <td rowspan="4" style="text-align: center; vertical-align: middle;">S-ft (from c)</td> </tr> <tr> <td></td> <td>Performance Summary</td> <td></td> <td>5 500</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </table> <p style="text-align: center;"><i>Accept Income Summary</i></p>	30/9/04	Gain on Sale/Disposal	5 500		S-ft (from c)		Performance Summary		5 500																					
30/9/04	Gain on Sale/Disposal	5 500		S-ft (from c)																											
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<p>(e)</p>	<p>Fishing Boat General Ledger account.</p> <p>WHANGAMATA FISHING GENERAL LEDGER</p> <table border="1" data-bbox="343 667 1422 900"> <thead> <tr> <th colspan="6" style="text-align: center;">FISHING BOAT</th> </tr> </thead> <tbody> <tr> <td>31/3/04</td> <td>Balance</td> <td></td> <td></td> <td>40 000</td> <td>DR</td> </tr> <tr> <td>30/9/04</td> <td>Disposal of Fishing Boat</td> <td></td> <td>40 000</td> <td>0</td> <td></td> </tr> <tr> <td></td> <td>Morrinsville Marines</td> <td>80 000</td> <td>C</td> <td>80 000</td> <td>DR</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	FISHING BOAT						31/3/04	Balance			40 000	DR	30/9/04	Disposal of Fishing Boat		40 000	0			Morrinsville Marines	80 000	C	80 000	DR						
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Codes

S = straightforward entry

C = as for **S**, plus a correct calculation

C (S) = an **S** can be gained on a **C** entry if the only error is in the calculation.

A General JOURNAL S entry must have:

- a DR and CR entry, with debits equalling credits, (ie DRs = CRs)
- correct account names (stem) no abbreviations
- correct Dr/Cr column
- correct figure where a calculation is not required.

A General LEDGER S entry must have:

- a correct stem/contra
- correct debit or credit entry
- correct figure where a calculation is not required
- an adjustment to the balance column.

Judgement Statement

Achievement	Merit	Excellence
<p>5 × S or C</p> <p>Must include ONE Q1(e) or Q2 (fixed asset) entry</p>	<p>3 × C</p> <p>5 other S or C</p> <p>Must include ONE Q1(e) or Q2 (fixed asset) entry</p>	<p>4 × C</p> <p>9 other S or C</p>

Accounting: Demonstrate an understanding of accounting subsystems (90223)**National Statistics**

Number of Results	Percentage			
	Not Achieved	Achieved	Merit	Excellence
3,960	39.9%	49.5%	7.2%	3.4%

Assessment Report

Candidates who gained Achievement understood the keywords of the Achievement Standard and could *describe* accounting systems as specified in Explanatory Note 3. They could identify specific source documents (inputs and outputs), identify objectives specific to the cash receipts subsystem, describe a process for a given subsystem, and identify strengths and/or weaknesses from the written case studies and/or the flow chart provided. Successful candidates linked the resource material to their answers and understood the difference between an *objective* of internal control and the *internal control procedure* used to achieve the objective.

Candidates who gained Achievement with Merit or Achievement with Excellence were able to *fully describe* the accounting subsystems and *explain* strengths and/or weaknesses. The explanation of a strength requires the loss prevented to be detailed. For example, “*Stock levels are always known (strength identified); therefore there is a reorder point and quantity to ensure that stock will not run out (strength explained)*”.

Assessment Schedule

Accounting: Demonstrate an understanding of accounting subsystems (90223)

Evidence Statement

Question	Evidence	Code
<p>One Part A (a)</p>	<p>D for each document identified.</p> <ul style="list-style-type: none"> • <i>Purchase order OR requisition</i> • <i>Goods received note OR packing slip</i> • <i>Invoice (received) OR Remittance Advice.</i> 	<p>D, D</p>
<p>(b)</p>	<p>I for a procedure identified.</p> <p>E for the procedure explained. Must state how procedure gives control.</p> <ul style="list-style-type: none"> • <i>Two signatures required on cheques (I) so needs to collude with someone else to write cheque for personal expenses (E) / so the second person would check that the expense being paid is a business one.</i> • <i>The person who completes the cheque is different from the person(s) signing (I) so they cannot write cheques for personal expenses. (E)</i> • <i>Before all payments are made the accountant or owner must approve the payment (I). This would prevent the accounts payable clerk paying their own account because the accountant/owner would not approve it (E) / would check the supporting documents to find out what they were signing the payment for. (E)</i> 	<p>I or E</p>
<p>(c) (i)</p> <p>(ii)</p>	<p>R for explaining a procedure (recommendation) that meets the stated objective.</p> <ul style="list-style-type: none"> • <i>Authority for making payments by bank transfer (NOT cheque) is given to 2 people only / limited number of people. (R)</i> • <i>Person responsible for electronic transfer must have password access. (R)</i> • <i>Two signatures are required on the payments voucher (R) before payment is made, (NOT cheque).</i> <p>• <i>Before payment voucher completed / payment is made, the statement, purchase order and goods received note are all matched. (R) (or idea of checking goods order / received / invoice correct).</i></p>	<p>R</p> <p>R</p>
<p>One Part B (a)</p> <p>(i)</p> <p>(ii)</p> <p>(iii)</p>	<p>I for a control strength is identified.</p> <p>E for a control strength explained – must link the control strength and HOW it assists café supplies maintain control.</p> <ul style="list-style-type: none"> • <i>Re-order point and / or re-order quantity can be identified. (I)</i> • <i>Stock levels are always known (I) so a reorder level can be readily identified and actioned so over / understock does not occur. (E)</i> • <i>Stock theft / loss / shortages can be determined (I) by comparing the physical stocktake to the perpetual record / stock (ledger) card. (E)</i> • <i>A check on the availability of stock can be made when the order is placed by the customer (I), so the customer can be informed immediately if there is to be a delivery delay. (E)</i> 	<p>I or E</p> <p>I or E</p> <p>I or E</p>

Question	Evidence	Code
(b) (i)	<ul style="list-style-type: none"> • <i>A = Purchase requisition / requisition note. (D)</i> 	D
(ii)	<ul style="list-style-type: none"> • <i>B = Invoice / Statement. (D)</i> 	D
(iii)	<ul style="list-style-type: none"> • <i>P = Matching of purchase order and goods received note to invoice / statement (D) so they don't pay for goods they didn't order / didn't receive (E) / checking that they only pay for goods that are correct. (E)</i> 	D or E
(iv)	<ul style="list-style-type: none"> • <i>P = matching the 3 documents to see all the information is the same. (D)</i> 	D
(v)	<ul style="list-style-type: none"> • <i>X = Payments voucher. (D)</i> 	D
(v)	<ul style="list-style-type: none"> • <i>The warehouse staff unpack the goods, not the purchasing staff. (D)</i> • <i>Accounts payable staff responsible for checking that goods ordered have been received and authorising payment – not the purchasing officer / warehouse. (D)</i> • <i>Ordering of goods is separate to receiving of goods. (D)</i> • <i>The purchasing officer is not paying for the goods. (D)</i> 	D
One Part C (a)	<p>I for stating objective met / not met OR for identifying the control strength / weakness.</p> <p>E for explaining control strength / weakness – must link the control strength / document / control procedure to how control is provided</p> <p>OR must link the control weakness to how that loss can occur.</p>	
Objective 1	<p><i>Met (I): The invoice is matched with the purchase order and goods received note before payment is made. (I) If a second invoice is received the other two documents will be missing, having already been matched with first invoice. (E)</i></p>	I or E
Objective 2	<p><i>Met (I): The invoice is matched with the purchase order (I) verifying goods ordered, and the goods received note verifies the goods were received. (E)</i></p>	I or E
Objective 3	<p><i>Not met (I): No perpetual record of stock is kept in warehouse (I) so warehouse staff can take goods for personal use and not be traced. (E)</i></p>	I or E
(b)	<p>I for identifying a control weakness</p> <p>E for an explanation that links the control weakness to HOW a loss can occur.</p> <p>R for a recommendation / procedure that links to the identified weakness and fixes it.</p> <p>J for a justification that links the recommendation to HOW the weakness is overcome.</p> <ul style="list-style-type: none"> • <i>The warehouse is unaware of what has been ordered / there is no communication between the warehouse or purchasing officer (I) as no copy of the purchase order is sent to the warehouse. (E)</i> • <i>A copy of the purchase order is sent to the warehouse so that when goods are received they can be checked against the purchase order. (R)</i> • <i>To verify that the goods delivered were ordered / so the warehouse will only accept goods that are on the purchase order / so the warehouse will not accept / turn away goods that are not on the purchase order form. (J)</i> 	I or E
		R and J

Question	Evidence	Code
<p>Two (a)</p>	<p>D for identifying objective.</p> <p>Any Two</p> <ul style="list-style-type: none"> • <i>Maintain security over cash held on premises.</i> • <i>Ensure cash received is banked intact (daily).</i> • <i>Provide an accurate record of cash received in terms of source documents.</i> • <i>Account for cash received in terms of journal entries and ledger accounts.</i> • <i>Prevent errors / theft and fraud in regard to cash received.</i> • <i>Reconcile cash received with the bank statement / provide an independent proof of cash received.</i> • <i>Provide relevant and timely information on cash received for management decision making.</i> 	<p>D, D</p>
<p>(b)</p>	<p>I for weakness identified.</p> <p>E for weakness explained – must give details of why a weakness/possible loss can occur.</p> <p>Any one:</p> <ul style="list-style-type: none"> • <i>The cashier has responsibility for opening the mail and receipting cash from customers (I) so can take cash and cover the theft by altering the records. (E)</i> • <i>Cheques are not stamped “not transferable” (I) so if theft occurs the cheques can be cashed by anyone else. (E)</i> • <i>One person opens the mail (I) so cash can be pocketed and the theft covered by altering documents. (E)</i> • <i>The cashier receives cash and prepares the cash receipts journal (I) so they can take cash from the banking and then alter the cash receipts entry. (E)</i> • <i>The accountant does the banking and prepares the bank reconciliation (I) so an independent person not involved in recording or banking the cash verifies the firm’s cash records against what was actually banked. (E)</i> • <i>The accountant does the banking and prepares the bank reconciliation (I) so the accountant could steal some of the money and alter the bank reconciliation statement to cover their tracks. (E)</i> • <i>Accountant does not see the receipts recording of cash received (I) so cannot verify the deposit slip is correct against the receipts issued. (E)</i> 	<p>I or E</p>
<p>Two (c)</p>	<p>R for a recommendation / procedure that links to the identified weakness and fixes it.</p> <p>J for a justification that links the recommendation to how the weakness is overcome.</p> <ul style="list-style-type: none"> • <i>Two people present when mail is opened (R) so that they would need to work together (unlikely) to take money and cover the theft. (J)</i> • <i>Cashier should stamp the cheques “not transferable” (R) so that if an employee or outsider steals the cheques they cannot be banked into their personal bank account. (J)</i> • <i>Separation of duties needs to be established. A separate person receives cash / cheques and prepares the batch list and receipts for customers. The cash and batch list are then passed to the accountant / another staff member who is responsible for preparing the banking / updating the ledgers (R); this will ensure that one person cannot take cash and change the records. (J)</i> • <i>The batch list needs to be checked against the receipts issued and the verified deposit slip. (R) This will check that all cash received is being banked. (J)</i> • <i>The ledger needs to be updated by someone separate to the cashier. (R) This will ensure the cashier does not pocket cash and then hide the theft by altering the ledger. (J)</i> • <i>The Bank reconciliation statement should be prepared by someone else (NOT cashier). (R) This will provide an independent check of the banking and highlight any discrepancies between the cash received and the money banked. (J)</i> 	<p>R and J</p>

Codes

D = Describe **I** = Identify **E** = Explain **R** = Recommend **J** = Justify

Judgement Statement

Question/s	Criterion	Achievement	Merit	Excellence
One Two	First	3 × D	5 × D	5 × D
	Second	4 × I or E	4 × E	5 × E
	Third		2 × R <i>or</i> 1 × R and 1 × J	2 × R 1 × J

Accounting: Report financial information for a sole proprietor registered for GST on the invoice basis (90224)

National Statistics

Number of Results	Percentage			
	Not Achieved	Achieved	Merit	Excellence
4,445	33.3%	27.1%	22.3%	17.3%

Assessment Report

Candidates who gained Achievement correctly classified most of the financial information into the appropriate financial statement. They also understood that:

- account names from the trial balance must be used in the preparation of the financial statements (where appropriate)
- correct account names (as listed in Explanatory Note 5 of the standard) must be used when making adjustments
- correct dates are to be used in the preparation of the Statement of Movements in Equity
- working in stems is not appropriate in the presentation of financial statements.

They were also familiar with some of the purposes, components, and limitations of the financial statements in the context of the questions asked.

Candidates who gained Achievement with Merit or Achievement with Excellence performed nearly all balance-day adjustments accurately, and were competent in the GST issues associated with these adjustments. These candidates were able to prepare all financial statements assessed in this achievement standard. They were familiar with the information required for and presentation of a Statement of Movements in Equity, the formal nature of a Statement of Accounting Policies (as outlined in Explanatory Note 4 of the standard), and they used appropriate accounting terminology.

All questions can provide evidence for either / both criteria, and should all be attempted. Candidates who omitted some were at a disadvantage.

Assessment Schedule

Accounting: Report financial information for a sole proprietor registered for GST on the invoice basis (90224)

Evidence Statement

Question	Evidence																																																																																																																								
One	<p style="text-align: center;">Statement of Financial Performance</p> <p style="text-align: center;"><i>Modern Music</i></p> <p style="text-align: center;">Statement of Financial Performance for the year ended 31 March 2004</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Sales</td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: right;">212 000</td> <td style="width: 10%;"></td> </tr> <tr> <td>Less cost of goods sold</td> <td></td> <td></td> <td style="text-align: right;">102 500</td> <td></td> </tr> <tr> <td>Gross Profit</td> <td></td> <td></td> <td style="text-align: right;">109 500</td> <td></td> </tr> <tr> <td colspan="5">Add Sundry Revenue</td> </tr> <tr> <td>Rent Received</td> <td></td> <td></td> <td style="text-align: right;">24 000</td> <td style="text-align: right;">S C</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">133 500</td> <td></td> </tr> <tr> <td colspan="5">Less Expenses</td> </tr> <tr> <td colspan="5">Selling Expenses</td> </tr> <tr> <td>Advertising</td> <td style="text-align: right;">6 400</td> <td style="text-align: right;">S</td> <td></td> <td></td> </tr> <tr> <td>Rates – shop</td> <td style="text-align: right;">2 400</td> <td style="text-align: right;">S C</td> <td></td> <td></td> </tr> <tr> <td>Wages – shop</td> <td style="text-align: right;">61 300</td> <td style="text-align: right;">S</td> <td></td> <td></td> </tr> <tr> <td>Depreciation – shop</td> <td style="text-align: right;">5 750</td> <td style="text-align: right;">S C</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">75 850</td> <td></td> </tr> <tr> <td colspan="5">Administration Expense</td> </tr> <tr> <td>Wages - office</td> <td style="text-align: right;">1 800</td> <td style="text-align: right;">S</td> <td></td> <td></td> </tr> <tr> <td>Insurance (accept as selling)</td> <td style="text-align: right;">9 550</td> <td style="text-align: right;">S C</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">11 350</td> <td></td> </tr> <tr> <td colspan="5">Financial Expenses</td> </tr> <tr> <td>Bad Debts</td> <td style="text-align: right;">800</td> <td style="text-align: right;">S</td> <td></td> <td></td> </tr> <tr> <td>Discount allowed</td> <td style="text-align: right;">600</td> <td style="text-align: right;">S</td> <td></td> <td></td> </tr> <tr> <td>Interest on Mortgage</td> <td style="text-align: right;">4 000</td> <td style="text-align: right;">S C</td> <td></td> <td></td> </tr> <tr> <td>Doubtful Debts</td> <td style="text-align: right;">250</td> <td style="text-align: right;">S C</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">5 650</td> <td style="text-align: right;">92 850</td> </tr> <tr> <td>Net Profit</td> <td></td> <td></td> <td></td> <td style="text-align: right;">40 650</td> </tr> </table> <p>S is for the correct stem (account name from the trial balance, not abbreviated), classification and a figure (correct if no adjustment). Note: workings as part of the stem is not acceptable.</p> <p>C is for the correct adjusted figure.</p> <p>F indicates foreign items as those that do not belong in the Statement of Financial Performance; not misclassified items.</p>	Sales			212 000		Less cost of goods sold			102 500		Gross Profit			109 500		Add Sundry Revenue					Rent Received			24 000	S C				133 500		Less Expenses					Selling Expenses					Advertising	6 400	S			Rates – shop	2 400	S C			Wages – shop	61 300	S			Depreciation – shop	5 750	S C						75 850		Administration Expense					Wages - office	1 800	S			Insurance (accept as selling)	9 550	S C						11 350		Financial Expenses					Bad Debts	800	S			Discount allowed	600	S			Interest on Mortgage	4 000	S C			Doubtful Debts	250	S C						5 650	92 850	Net Profit				40 650
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Judgement Statement for Question One

Achievement	Merit	Excellence
<p>7 × S</p> <p>Maximum 4 F</p>	<p>8 × S</p> <p>3 × C</p> <p>Maximum 2 F</p>	<p>10 × S</p> <p>5 × C</p> <p>No F</p>

Question	Evidence																																																																											
Two (a)	<p data-bbox="272 248 699 282">Statement of Movement in Equity</p> <p data-bbox="272 311 826 344">EITHER of the formats below is acceptable.</p> <p data-bbox="778 342 962 371" style="text-align: center;"><i>Modern Music</i></p> <p data-bbox="443 371 1299 405" style="text-align: center;">Statement of Movement in Equity for the year ended 31 March 2004</p> <table border="1" data-bbox="320 405 1401 714"> <tr> <td>Net Profit</td> <td></td> <td></td> <td>40 650</td> <td>S-ft</td> </tr> <tr> <td>Add Contribution from owner</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Additional capital</td> <td></td> <td></td> <td>20 000</td> <td>S</td> </tr> <tr> <td></td> <td></td> <td></td> <td>60 650</td> <td></td> </tr> <tr> <td>Less Distribution to owner</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Drawings</td> <td></td> <td></td> <td>6 000</td> <td>S C</td> </tr> <tr> <td>Movement in Equity for period</td> <td></td> <td></td> <td>54 650</td> <td></td> </tr> <tr> <td>Add Equity at 1 April 2003</td> <td></td> <td></td> <td>102 100</td> <td>S C</td> </tr> <tr> <td>Equity at 31 March 2004</td> <td></td> <td></td> <td>156 750</td> <td>S</td> </tr> </table> <p data-bbox="778 752 962 781" style="text-align: center;"><i>Modern Music</i></p> <p data-bbox="443 781 1299 815" style="text-align: center;">Statement of Movement in Equity for the year ended 31 March 2004</p> <table border="1" data-bbox="320 815 1401 1032"> <tr> <td>Capital 1 April 2003</td> <td></td> <td></td> <td>102 100</td> <td>S C</td> </tr> <tr> <td>Plus additional capital</td> <td></td> <td></td> <td>20 000</td> <td>S</td> </tr> <tr> <td>Plus Net Profit</td> <td></td> <td></td> <td>40 650</td> <td>S-ft</td> </tr> <tr> <td></td> <td></td> <td></td> <td>162 750</td> <td></td> </tr> <tr> <td>Less Drawings</td> <td></td> <td></td> <td>6 000</td> <td>S C</td> </tr> <tr> <td>Capital 31 March 2004</td> <td></td> <td></td> <td>156 750</td> <td>S</td> </tr> </table> <p data-bbox="272 1064 1382 1153">S is for the correct stem (account name from the trial balance where given, not abbreviated), treatment and a figure (correct if no adjustment). Note: workings as part of the stem is not acceptable.</p> <p data-bbox="272 1162 1023 1193">S-ft is the correct stem and net profit figure from Question One.</p> <p data-bbox="272 1202 576 1234">C is for the correct figure.</p> <p data-bbox="272 1243 1401 1274">F indicates foreign items as those which do not belong in the Statement of Movement in Equity.</p>	Net Profit			40 650	S-ft	Add Contribution from owner					Additional capital			20 000	S				60 650		Less Distribution to owner					Drawings			6 000	S C	Movement in Equity for period			54 650		Add Equity at 1 April 2003			102 100	S C	Equity at 31 March 2004			156 750	S	Capital 1 April 2003			102 100	S C	Plus additional capital			20 000	S	Plus Net Profit			40 650	S-ft				162 750		Less Drawings			6 000	S C	Capital 31 March 2004			156 750	S
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<p>Two (b)</p>	<p>Statement of Financial Position Extract</p> <p style="text-align: center;"><i>Modern Music</i> Statement of Financial Position (extract) as at 31 March 2004</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="4" style="text-align: left;">Current Assets</th> </tr> </thead> <tbody> <tr> <td style="width: 40%;">Bank</td> <td style="width: 20%;"></td> <td style="width: 20%; text-align: right;">2 600</td> <td style="width: 20%; text-align: right;">S</td> </tr> <tr> <td>Inventory</td> <td></td> <td style="text-align: right;">23 000</td> <td style="text-align: right;">S</td> </tr> <tr> <td>Accounts Receivable</td> <td style="text-align: right;">47 500</td> <td></td> <td style="text-align: right;">S</td> </tr> <tr> <td>Less Allowance Doubtful Debts</td> <td style="text-align: right;">950</td> <td style="text-align: right;">46 550</td> <td style="text-align: right;">S C</td> </tr> <tr> <td>Prepayments</td> <td></td> <td style="text-align: right;">450</td> <td style="text-align: right;">S C</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">72 600</td> </tr> <tr> <th colspan="4" style="text-align: left;">Less Current Liabilities</th> </tr> <tr> <td>Accounts Payable</td> <td></td> <td style="text-align: right;">27 750</td> <td style="text-align: right;">S C</td> </tr> <tr> <td>Accrued Expenses</td> <td></td> <td style="text-align: right;">1 000</td> <td style="text-align: right;">S C</td> </tr> <tr> <td>GST</td> <td></td> <td style="text-align: right;">8 850</td> <td style="text-align: right;">S C</td> </tr> <tr> <td>Revenue in Advance</td> <td></td> <td style="text-align: right;">2 000</td> <td style="text-align: right;">S C</td> </tr> <tr> <td>Working capital</td> <td></td> <td></td> <td style="text-align: right;">33 000 S C</td> </tr> </tbody> </table> <p>S is for the correct stem and a figure (correct if no adjustment). Note: workings as part of the stem is not acceptable. C is for the correct adjusted figure. F indicates foreign items.</p>	Current Assets				Bank		2 600	S	Inventory		23 000	S	Accounts Receivable	47 500		S	Less Allowance Doubtful Debts	950	46 550	S C	Prepayments		450	S C				72 600	Less Current Liabilities				Accounts Payable		27 750	S C	Accrued Expenses		1 000	S C	GST		8 850	S C	Revenue in Advance		2 000	S C	Working capital			33 000 S C
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<p>Two (c) (i)</p> <p>(ii)</p> <p>(iii)</p>	<p>Statement of Accounting Policies (extract) for Modern Music The financial statements are prepared for: <i>Modern Music (S) a sole proprietor (S) business selling musical instruments.</i></p> <p>Specific Accounting Policies Accounts Receivable are recorded at estimated net realisable value (S) after allowing for debts where collection is doubtful/debtors may not pay. (C) Bad debts are written off in the period they are identified.</p> <p>Inventories are recorded at the lower of cost and net realisable value (S). The weighted average cost (C) method is used to determine the cost of the inventory.</p>																																																				

Judgement Statement for Question Two:

Achievement	Merit	Excellence
10 × S Maximum 4 F	12 × S 5 × C Maximum 2 F	15 × S 8 × C No F

Question	Evidence	Code
Three (a)	<p>Explain the Financial Statements</p> <ul style="list-style-type: none"> To see/show/calculate net profit. To see/show/calculate revenue and expenses. 	E
(b)	<ul style="list-style-type: none"> To see what assumptions/measurement base used when preparing the financial statements. To see the valuation methods used to prepare the financial statements/for assets. To see any changes in accounting policies. 	E
(c) (i)	<ul style="list-style-type: none"> Excess of CA over CL. 	E
(ii)	<ul style="list-style-type: none"> Current Assets are assets that will be converted into cash in the next year. 	E
(iii)	<ul style="list-style-type: none"> The profit before administration, selling and financial expenses are deducted. The profit left to cover administration, selling and financial expenses. 	E
(d)	<ul style="list-style-type: none"> Represents a past record of cash transactions and current bank account so gives no indication of future cash receipts and payments and bank balance. 	E
(e)	<ul style="list-style-type: none"> It does not provide an indication of the current market value of the shop/land. 	E

Judgement Statement for Question Three, First Criterion

Achievement	Merit	Excellence
3 × E	3 × E	3 × E

Question	Evidence																																																																												
Four	<p>Quickshift Removals</p> <p style="text-align: center;">Statement of Cash Flows for the year ended 31 March 2004</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="4" style="text-align: left;">Cash flows In</th> </tr> </thead> <tbody> <tr> <td style="width: 50%;">Removal Receipts/Fees</td> <td style="width: 15%;">125 400</td> <td style="width: 15%;">86 200</td> <td style="width: 20%; text-align: right;">S</td> </tr> <tr> <td>Cash from Accounts Receivable</td> <td>Award SS CC</td> <td>39 200</td> <td style="text-align: right;">S C C</td> </tr> <tr> <td>Dividends Received</td> <td></td> <td>1 750</td> <td style="text-align: right;">S C</td> </tr> <tr> <td>Sale of Delivery Truck</td> <td></td> <td>13 000</td> <td style="text-align: right;">S C</td> </tr> <tr> <td>Loan</td> <td></td> <td>40 000</td> <td style="text-align: right;">S</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">180 150</td> </tr> <tr> <th colspan="4" style="text-align: left;">Less Cash flows Out</th> </tr> <tr> <td>Cash paid to Accounts Payable</td> <td></td> <td>53 500</td> <td style="text-align: right;">S C</td> </tr> <tr> <td>Advertising</td> <td></td> <td>4 500</td> <td style="text-align: right;">S</td> </tr> <tr> <td>Insurance</td> <td></td> <td>6 200</td> <td style="text-align: right;">S</td> </tr> <tr> <td>Wages</td> <td></td> <td>27 000</td> <td style="text-align: right;">S</td> </tr> <tr> <td>Loan repayments</td> <td></td> <td>31 000</td> <td style="text-align: right;">S</td> </tr> <tr> <td>Purchase Delivery Van</td> <td></td> <td>55 000</td> <td style="text-align: right;">S</td> </tr> <tr> <td>Interest</td> <td></td> <td>8 900</td> <td style="text-align: right;">S</td> </tr> <tr> <td>Donation – Starship</td> <td></td> <td>200</td> <td style="text-align: right;">S C</td> </tr> <tr> <td>Net Increase/Decrease in cash</td> <td></td> <td></td> <td style="text-align: right;">(6 150)</td> </tr> <tr> <td>Plus opening Bank balance 1/1/04</td> <td></td> <td></td> <td style="text-align: right;">10 000</td> </tr> <tr> <td>Closing Bank balance 31/12/04</td> <td></td> <td></td> <td style="text-align: right;">3 850 C</td> </tr> </tbody> </table> <p>S is an appropriate stem and a figure (correct if no adjustment). C is for the correct adjusted figure. F indicates foreign items that do not belong in the Statement of Cash Flows.</p> <p>C for closing bank balance awarded for correct treatment of net increase/decrease in cash and opening bank balance.</p>	Cash flows In				Removal Receipts/Fees	125 400	86 200	S	Cash from Accounts Receivable	Award SS CC	39 200	S C C	Dividends Received		1 750	S C	Sale of Delivery Truck		13 000	S C	Loan		40 000	S				180 150	Less Cash flows Out				Cash paid to Accounts Payable		53 500	S C	Advertising		4 500	S	Insurance		6 200	S	Wages		27 000	S	Loan repayments		31 000	S	Purchase Delivery Van		55 000	S	Interest		8 900	S	Donation – Starship		200	S C	Net Increase/Decrease in cash			(6 150)	Plus opening Bank balance 1/1/04			10 000	Closing Bank balance 31/12/04			3 850 C
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Judgement Statement for Question Four

Achievement	Merit	Excellence
8 × S Maximum 3 F	8 × S 3 × C Maximum 1 F	11 × S 5 × C No F

Overall Judgement Statement

Question	Criterion	Achievement	Merit	Excellence
One	Second	2 × A	2 × M	2 × E
Two			1 × A	1 × A
Four				
Three	First	A		

Accounting: Analyse, interpret and evaluate financial information for a sole proprietor business (90225)

National Statistics

Number of Results	Percentage			
	Not Achieved	Achieved	Merit	Excellence
4,395	29.5%	24.6%	26.4%	19.5%

Assessment Report

Candidates gaining Achievement understood what to do from the keywords of the standard and key verbs used in the questions, wrote well-constructed sentences that were clear and concise, and used the resource material, when appropriate, to answer questions. They correctly calculated straightforward analysis measures by correctly applying the formulae provided, and interpreted and evaluated analysis measures in the context of the question accurately, using appropriate accounting terminology.

Candidates gaining Achievement with Merit or Achievement with Excellence were able to calculate complex analysis measures by correctly selecting and manipulating the financial information provided. In addition these candidates used correct accounting terminology and were able to link analysis measures to other financial information and their existing knowledge. Valid recommendations were made using the context of the question, and candidates justified their recommendations by stating clearly how the recommendation will improve the situation.

Candidates who relied on rote-learned definitions were disadvantaged because they could not make links between the financial and non-financial information provided and the requirements of the question.

Assessment Schedule

Accounting: Analyse, interpret and evaluate financial information for a sole proprietor business (90225)

Evidence Statement

Question	Evidence			Code
One	Analysis Measure	Working	Answer	
	Gross Profit %	$\frac{80}{200} \times \frac{100}{1}$	40%	S
	Mark-up %	$\frac{80}{120} \times \frac{100}{1}$	66.7% or 66.67%	C
	Financial Expense %	$\frac{10}{200} \times \frac{100}{1}$	5%	S
	Net Profit %	$\frac{20}{200} \times \frac{100}{1}$	10%	S
	Return on Total Assets %	$\frac{20 + 5}{250} \times \frac{100}{1}$	10%	C
	Liquid Ratio	$\frac{20}{25}$	0.8:1	C
	Age of Accounts Receivables	$\frac{15 \times 365}{150 \times 1.125}$	33 days	C

Judgement Statement for First Criterion

Question	Achievement	Merit	Excellence
One	3 × S or C	2 × C 2 other S or C	6 × S or C

Question	Evidence	Code
<p>Two (a) (i)</p>	<p>I if meaning of the analysis measure is given. Must link cost price to selling price in answer.</p> <ul style="list-style-type: none"> • Marcus adds 100% to the <u>cost price</u> of the electrical supplies to get the selling price (exclusive of GST) (I) • Marcus doubles <u>cost price</u> to get selling price. (I) 	<p>I</p>
<p>(ii)</p>	<p>E if a clear link between mark-up change and net profit or sales increase.</p> <ul style="list-style-type: none"> • The decision was successful, as the reduction in mark-up/price has increased sales/ net profit in 2004. (E) • It generated an extra \$200 000 of sales (for the business). (E) 	<p>E</p>
<p>(b) (i)</p>	<p>I if meaning of the analysis measure is given.</p> <ul style="list-style-type: none"> • For each dollar of sales 7.5 cents is net profit. (I) • 7.5% of each sales dollar is earned as net profit. (I) 	<p>I</p>
<p>(ii)</p>	<p>I if cheaper service stated.</p> <p>E if link between cheaper service to improving net profit / reduction of administration expense %.</p> <ul style="list-style-type: none"> • BHD will offer a cheaper service (I) thus reducing (administration) expense percentage. (E) • BHD will offer a cheaper service (I) thus reducing (administration) expenses which improves net profit. (E) • Telephone expenses will be lower/cheaper (I) which will improve Net Profit. (E) 	<p>I and E</p>
<p>(c)</p>	<p>I if increasing total assets trend or decreasing return on total assets trend identified.</p> <p>E if reason for the trend is explained with a link to resource two.</p> <ul style="list-style-type: none"> • The increase in total assets in 2004 has been at a rate faster than the growth in net profit (I) because the new renovation was (not completed until January). (E) • Average total assets increased faster than net profit because of the renovations. (E) <p>Note: Accept – if clearly stated. The renovations may have put off customers for part of the time.</p>	<p>I and E</p>
<p>Three (a) (i)</p>	<p>I for identifying accounts receivable taking longer to pay or too long to pay.</p> <p>E for explaining the link between accounts receivable taking longer to pay and the impact this has on the collection of cash to pay current debts.</p> <ul style="list-style-type: none"> • She does not have any cash as a current asset and accounts receivables are taking longer to be turned into cash. (I) • Accounts receivable are taking longer to pay (I) so cash is not coming into the business to pay current debts. (E) • At 58 days the average time debtors are taking to pay is longer than what creditors expect their accounts to be paid in (usually 28 days) (I) so the cash for this is not available. (E) 	<p>I and E</p>
<p>(ii)</p>	<p>R for a valid recommendation that will enable current debts to be paid.</p> <ul style="list-style-type: none"> • Take out a non-current loan. • Extend the secured overdraft. • Owner invests more cash into the business. • Improve credit collection policy – requires accurate explanation of policy in terms of how it will improve collection eg charge interest/overdue fees on accounts receivables that are late in payment. <p>NOT Stricter credit policies – it is too general.</p>	<p>R</p>

Question	Evidence	Code
<p>Three (iii)</p>	<p>J for a justification that links the recommendation to how it will enable the current debts to be paid on time.</p> <ul style="list-style-type: none"> • <i>Provides extra cash in the business that can be used to pay the current debts.</i> • <i>Improved credit collection policy should lead to cash being collected more quickly and being used to pay current debt.</i> 	<p>J</p>
<p>(b) (i)</p>	<p>I if the meaning has been stated accurately.</p> <ul style="list-style-type: none"> • <i>65 % of the business's assets have been financed/contributed by Samantha.</i> <p>Must not use owned/controlled in answer.</p>	<p>I</p>
<p>(ii)</p>	<p>R for recommendation supported by financial information that will improve equity ratio.</p> <ul style="list-style-type: none"> • <i>Samantha repaid some of the loan (with money from maturing/cashing in Mighty Cycles investments).</i> • <i>Samantha repaid some of the loan with money that Samantha invested into the business.</i> • <i>Financed the purchase of new fixed assets with money from maturing/cashing in Mighty Cycles' investments.</i> • <i>Financed the purchase of new fixed assets with money that Samantha invested into the business.</i> 	<p>R</p>
<p>(iii)</p>	<p>J for justification that links the recommendation to how it improves the equity ratio.</p> <ul style="list-style-type: none"> • <i>Repaying the loan means there is less external debt financing the business's assets.</i> • <i>The fixed assets are purchased without an increase in external debt, thus Samantha has financed more of the business's assets.</i> 	
<p>Four (a) (i)</p>	<p>R for a recommendation that will reduce closing inventory.</p> <ul style="list-style-type: none"> • <i>Reduce prices to sell surplus inventory.</i> • <i>Increase advertising to sell surplus inventory.</i> 	<p>R</p>
<p>(ii)</p>	<p>E for an explanation of a consequence that will lead to a financial loss.</p> <ul style="list-style-type: none"> • <i>Inventory will become damaged and unable to be sold/be sold at a cheaper price.</i> • <i>Inventory becomes obsolete and unable to be sold.</i> • <i>The business may find it more difficult to meet current debts if it continues to hold slow-moving inventory that is not converted into cash to pay debts.</i> <p>Accept</p> <ul style="list-style-type: none"> • <i>Profit could decrease if additional inventory storage costs/insurance costs are incurred.</i> 	<p>E</p>
<p>(b)</p>	<p>R for a recommendation that will prevent inventory build-up.</p> <p>J for a justification that links the recommendation to how it improves the inventory turnover.</p> <ul style="list-style-type: none"> • <i>Reduce the re-order quantities. (R)</i> <i>If the product is not selling there will be less inventory being held. (J)</i> • <i>Change the buying policy to match the tastes of customers (R). Reduces the likelihood of unsold inventory, as it is inventory that appeals to the customer. (J)</i> 	<p>R and J</p>

Judgement Statement for Second, Third and Fourth Criteria

Questions	Criterion	Achievement	Merit	Excellence
Two Three Four	Second	2 × I	2 × I	2 × I
	Third	1 × E 1 other E or R	1 × E 2 other E or R	1 × E 3 other E or R
	Fourth		1 × R	1 × R 1 × J