



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

National Qualifications Framework Levels 1–3, 2004

Accounting

National Moderator's Report

National Moderator's Report

General Guidance for Assessors of Achievement and Unit Standards

The purpose of external moderation is to provide reassurance that assessor judgments are at the national standard and are made on the basis of assessment materials that are fair and valid.

All assessment materials are expected to:

- give the learner the opportunity to meet the requirements of the standard
- have an assessment schedule that gives evidence of appropriate learner responses and clear judgments at all levels.

The Ministry of Education contracted subject experts to write assessment resources for achievement standards. These are not pre-moderated. The intention is that they are modified to suit teaching programmes and learner needs. They do not provide 'rules' but suggest different ways of assessing to the nationally registered standard.

General Overall Comment

The moderation of internally assessed achievement standards in Accounting in 2004 indicated an increased national consistency at levels 1 and 2 in terms of assessment materials used and assessor judgments. The majority of schools used the exemplars from the TKI website or an adapted version of them.

Assessors are strongly encouraged to:

1. Use the Explanatory Notes of the achievement standards as a guide when adapting TKI assessment tasks and schedules.
2. Use the current TKI assessment tasks (which contain exemplars of learner work at Achieved, Merit and Excellence levels) when making judgements on learners' work.

Level 1

90024 Version 2: *Process financial information for a sole proprietor*

The assessment tasks currently on the TKI site were updated to meet the requirements of the Version 2 Achievement Standard. Assessors are urged to use these current versions as a guide when making judgements.

Assessor judgements in 2004 were, in most cases, consistent with the national standard and showed an improved understanding of the requirements for '*good accounting practice*'. Clarifications of these requirements in relation to correct contras and stems, and the correct balancing process in three column ledger accounts provided in the 2003 National Moderator's Report, remain relevant.

Assessors should note the requirement for excellence for Version 2 of this achievement standard is "good accounting practice has been consistently followed". Consistently means 'has followed good accounting practice in **all** aspects in relation to both journals and ledgers' (Explanatory Note 10). The TKI exemplars clarify the standard well.

To enable learners to achieve excellence, assessors must provide sufficient transactions in the assessment task to allow learners to demonstrate '*an understanding of the application of GST across a wide range of transactions*' (Explanatory Note 8).

90025 Version 2: *Demonstrate an understanding of accounting systems for entities*

This new standard allowed learners to demonstrate their understanding of accounting subsystems in a variety of contexts. Most assessors chose a business or individual context. Learner evidence indicated that the context of an individual was the most accessible for them.

Assessors should refer to Explanatory Notes 1, 5 and 6 when making judgements on learner work.

Specifically:

Explanatory Note 1 '*Primary data*' must be used.

Explanatory Note 5 '*Cash control procedures*' must include cash receipts and cash payments.

Explanatory Note 6 '*Explain cash control procedures*' requires that learners explain **how** the control procedures safeguard cash.

Eg, 'Mary keeps receipts for payments in an alphabetical file box' is a description.

'Mary keeps receipts for payments in an alphabetical file box so she has proof of all her transactions in case she is billed twice' is an explanation, as it makes clear how the control procedure safeguards cash.

'Christa limits the number of times she uses her bank account' is a description, which becomes an explanation with the addition of the statement 'this means she saves her money by not having to pay transaction fees'.

The second criterion '*Explain a range of information on financial documents*' requires learners to make clear the importance of the information and/or why the information is included on the documents.

Eg, for an invoice:

GST No. – required by law for GST purposes such as GST returns

Date – future reference in event of a query on goods supplied

What for – for checking the correct goods were delivered/charged to the person

Assessors are referred to the TKI exemplars for further clarification.

Level 2

Assessors are urged to access and use current TKI assessment tasks. They have been updated to meet Version 2 of the standards.

90222: Investigate and report on accounting subsystems

The comments in the 2003 National Moderator's report that clarified the requirements for version 1 of the standard still apply to version 2.

This achievement standard was reviewed in 2004, and the assessment criteria combined into one to allow for a more holistic assessor judgement. The Explanatory Notes have been expanded to clarify the requirements of the standard. The web activities have been reviewed and up dated to meet Version 2. Exemplars of learner evidence have been provided to guide assessor judgement.

90226: Process financial transactions, using computer software for a sole proprietor

Assessors must produce a set of "evidence" (that is, the answers generated by the computer software) to facilitate making judgments of learners work. These must be included when submitting material for moderation.

A range of software packages are available for assessors to use to assess this achievement standard. The choice of a software package for 2005 requires the package chosen to have the facility to meet the requirements of Explanatory Notes 3, 4 and 5 of Version 2 of the achievement standard.

The assessment activities on the TKI site have been up dated to meet version 2 of the achievement standard and exemplify the National Standard. Assessors should note the activities on the TKI site are generic and will require assessors to add task specific instructions for the package they choose to assess this standard with.

Assessor's attention is brought to the following points from the 2004 moderation round.

Process financial transactions, using computer software involves using the software appropriately and to its full potential. Learners who import a fully set up chart of accounts from the school intranet/network and then enter 25 transactions (without entering opening balances, adding or editing any accounts or inventory products), have not met the requirements of Explanatory Note 4 or been given the opportunity to demonstrate their ability to *process financial transactions, using computer software*.

Level 3

90504: Prepare a report that analyses and interprets a company's financial report for external users

The achievement standard specifies that the report prepared is for external users. An assessment activity requiring a report for an internal user does not meet this requirement.

This is a 5-credit standard; it is expected that learners will produce a sizable report of good quality.

Explanatory Note 2 states:

The assessment activity can be based on either:

- *an actual annual report of a New Zealand registered company OR*
- *a case study that contains a set of financial statements and supporting information, including a range of non-financial information typical of that found in the published annual reports of New Zealand registered companies.*

Excellence requires learners to provide a wide range of in-depth interpretations. To gain Achievement with Excellence learners must be provided with a Company Annual Report including Notes to the Accounts Information and the Managing Director's Report. Assessors choosing to use a case study must ensure sufficient 'other information' is made available for learners, for the same reason

Explanatory Notes 5, 6 and 7 of the achievement standard lists the different types of interpretations required, and provide examples of 'in-depth' and 'straightforward' interpretations.

The assessment task on TKI includes exemplars of student work at all levels – Not Achieved, Achievement, Achievement with Merit and Achievement with Excellence. It is strongly recommended assessors use these exemplars when making judgements on student work.

This achievement standard requires learners to prepare a 'report that analyses' for Achievement and Achievement with Merit and 'a detailed report that comprehensively analyses and interprets' for Achievement with Excellence. Assessors should be familiar with Explanatory Note 9 that details what this involves at Achievement with Excellence level. The assessment tasks on the TKI site exemplify it well.

For Achievement with Merit, 'a range of straightforward and some in-depth interpretations,' must be made. The range of interpretation refers to those listed in Explanatory Note 5. The TKI assessment tasks exemplify them well at all levels of achievement.

An 'in-depth interpretation' involves interpreting information from outside the financial statements in terms of its impact on the entities' profitability, liquidity, cash flow or financial stability.

For example:

'Air NZ's NP% has increased because of the introduction of express class' is inadequate as an in-depth interpretation. However, if the introduction of express class is linked to the decrease in administration costs by a statement such as 'because of the increased use of internet booking and/or the decrease in the cost of supplies, because food and beverages are not provided any more' the in-depth requirement is met.

For the 2005 assessment material to be at the National Standard, Assessors are reminded that:

- evidence statements in the form of the ratios and percentages, and
- interpretations (note form is acceptable) that apply to the company their learners are analysing and interpreting

must be submitted with the assessment material for moderation purposes.

Whether assessors judge 'in-depth' and 'straightforward' sentence by sentence (by coding responses S1, S2, I1, I2) or paragraph by paragraph, it is essential that the overall judgement is made holistically.

The following are provided to assist assessors judgements. Examples of inadequate interpretations:

A statement of fact is not an interpretation.

- In 2003 the Company's net profit percentage was 10%
- The general meaning of an analysis measure is not an interpretation
- The Return on Total Assets shows the % return (of net profit) for the Total Assets invested in the business.

A statement of a change in an analysis measure is not an identification and explanation of a strength or weakness.

The Net Profit has decrease from 10% to 8%.

Explaining why an analysis measure increased/decreased by identifying a component of the formulae going up or down is not a valid reason for a trend.

- The financial expense % has decreased because Financial expenses have decreased.

The following statement does not contain any valid interpretations.

- The financial expense % which measures the amount of financial expenses for each sales dollar has decreased from 8% to 4% because financial expenses have increased.

Examples of adequate straightforward interpretations

The *meaning of an analysis measure*, eg

- In 2003 the Company earned a profit of 10 cents from each \$1 of sales made.

The *reason for a trend*, eg

- In 2003 the Current Ratio has improved because inventory levels have increased.
- The financial expense % has decreased because interest expense has decreased.

Identification and/or explanation of a strength/weakness

- The Current Ratio is a weakness because it is \$0.8 : \$1, so it may not be able to pay all its current debts in the next accounting period.

Interpreting cash flows

This was often omitted by learners.

Straightforward interpretation, eg

- There was an increase in net cash flow from operating activities of nearly \$9 million, with most of this applied to the acquisition of shares in other entities.

In-depth interpretation

- XY Ltd raised extra cash by increasing their loans and used these along with the net inflow of cash from operating to fund the \$54 million purchase in new fixed assets. Directors chose to pay out decreased dividends to shareholders in 2003 to ensure funds were available for the asset purchase, and avoid unnecessary interest costs.