



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

National Qualifications Framework Levels 1–3, 2006

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

UNIT STANDARDS

A range of unit standards at level 1, 2 and 3 were assessed in 2006. The moderation of unit standards in Accounting indicated an improved quality of assessment material used by assessors. A number of assessors still continue to submit the assessment activities developed in 1995 for version 1 of the Unit standards for assessment against version 3. In nearly all instances these assessment activities do not validly assess version 3 of the standard.

The version 3 unit standards were revised in 2006 to incorporate the impact of the introduction of the NZ Equivalents to the International Financial Reporting Standards, the NZ Framework and to add clarifications. The credit levels and titles of some standards changed as a result.

It is anticipated the version 4 unit standards will be registered during term 1 of 2007. Until then assessors may use the formats and concepts specified in version 3 of the unit standards or their updated equivalent in the IFRS's and NZ Framework.

ACHIEVEMENT STANDARDS

The majority of schools used the resources from the TKI website or an adaptation from them to assess the achievement standards.

The internal assessment activities on the TKI website underwent a validity check in 2006. As a result some assessment activities and/or student evidence resources were updated.

Assessors who choose to use the TKI assessment activities for assessment purposes must ensure they download and use the most recent assessment activity available.

Assessment material for moderation must include evidence (answers). Alternatively assessors may use annotated photocopies of previous or current learners work as examples of what is expected for achieved, merit and excellent

levels. The annotations and their position on the script(s) must be clearly indicated to the moderator.

The assessment tasks on the TKI site exemplify the minimum national standard in terms of the number of transactions and/or judgements.

The TKI exemplars of student work provide clear guidance for achieved, merit and excellence. Assessors should use these resources when making judgements on learners work.

Assessors are responsible for ensuring assessment activities, regardless of the source, meet the requirements of the current registered standard. Some activities developed for earlier versions of the achievement standards may need to be modified. Similarly buying a commercial activity does not automatically guarantee its validity. Activities still need to face the schools' internal moderation system before being submitted for moderation.

90024: Process financial information for a sole proprietor

Moderators report assessor judgements in 2006 were, in most cases, consistent with the national standard with the exception of the requirements for good accounting practice.

The 2005 National Moderators report clarified and detailed the requirements for:

- a correct entry in the cash journals
- a correct entry in the general ledger
- good accounting practice

The statements still apply and assessors are recommended to refer to this for clarification when grading student work.

Excellence requires good accounting practice to be consistently followed.

Explanatory Note 10 states: *“Consistently following good accounting practice means that the student has followed good accounting practice in **all aspects in relation to both journals and ledgers.**”*

Correct posting of the sundry column and the correct treatment of EFTPOS transactions are both requirements of good accounting practice.

90025: Demonstrate an understanding of accounting systems for entities

The second criterion, *identify and explain information on financial documents* was often applied incorrectly. .

The 2005 National Moderator's report provided clarification and examples of the first criterion, *describe and explain cash controls* and the second criterion, *identify and explain information on financial documents*. The statements in the 2005 National Moderator's Report still apply and assessors are recommended to refer to them, and the TKI resources (which have been updated for 2007) when making judgements on student work.

Conditions for assessment

Assessors must be satisfied that internally assessed work submitted by learners is:

- the learners own work
- reflects the context of the learners investigation
- relates to the data collected.

Teachers should ensure the extent of their input does not compromise assessment validity: in other words, the written answers are those of the learners and not the teachers.

90222: Investigate and report on accounting subsystems

The single assessment criterion allows for a more holistic assessor judgement on the total evidence provided by a learner. However, the evidence provided by the learner must meet the requirements of the achievement standard and the explanatory notes.

Moderators have identified a significant number of assessors not recognising the requirements of version 2 of the standard for achieved that requires strengths and weaknesses to be **explained**. The assessment criterion requires learners to “draw conclusions”. Explanatory Note 3 defines a conclusion as: “an **explanation of the key strengths and/or weaknesses evident in the subsystems.**” An explanation of a strength involves “explaining how a loss is prevented” and an explanation of a weakness involves “explaining how the weakness could lead to a possible loss”.

The TKI assessment activity judgement statements exemplify the standard required and the samples of learner evidence exemplify the national standard. Assessors are encouraged to refer to these resources when assessing student work.

Where candidates investigate their own selected business the resources on the TKI site are sufficient for evidence statements. If an assessor chooses to arrange a class visit to a business, evidence statements in terms of objectives, procedures, strengths and weaknesses *etc.* are required for the assessment material to be at the national standard.

“Describing the subsystems” (Explanatory Note 8) requires learners to describe the “*objectives, source documents used, procedures used and outputs generated*” of the specific subsystems investigated. Moderators reported a significant number of learners struggling to accurately describe the procedures and outputs of the subsystems investigated.

For example

The outputs of the **cash receipts subsystem** include the receipt (copy) given to the customer and a bank reconciliation statement. The cash receipts journal and bank ledger account are processes of the subsystem not outputs and the Income Statement and Balance Sheet are outputs of the whole accounting subsystem and therefore not a valid output for the cash receipts subsystem. Teachers need to be more proactive in guiding learners as to the correct source documents, procedures and outputs for each subsystem.

Learners questionnaires are required to be submitted for moderation.

Conditions for assessment

Assessors must be satisfied that internally assessed work submitted by learners is the learners' own work. Teachers should ensure the extent of teacher input and guidance does not compromise assessment validity: in other words, the written answers are those of the learners (that apply to the entity investigated) and not the teacher.

90226: Use computer software to process financial transactions for a sole proprietor

Assessment material for moderation purposes must include evidence statements - . that is, the answers generated by the computer software package being used for the assessment task the students completed.

For merit and excellence candidates must create a range of new accounts as specified in explanatory note 5. The updated TKI web resources exemplify the national standard in terms of the minimum creation of accounts. The requirements for separate cost of sales, inventory and sales accounts for each type of inventory are also signalled in the TKI resources. Assessors should refer to the 2005 National Moderators report that provided guidance for making judgments for a correct entry.

The standard requires learners to process a range of transactions for merit and a wide range of transactions excellence. The 2006 Consistency Review in response to sector feedback resulted in Explanatory Note 3 being amended as follows.

- *A range for achievement with merit should involve most of Part A and a majority of Part B.*
- *A wide range for achievement with excellence should involve nearly all of Parts A and B.*

The assessment activities on TKI were updated to exemplify this.

A range of software packages were used in 2005. Assessors are again advised to ensure the package they choose to use has the facility to meet the requirements of Explanatory Notes 3, 4 and 5 of the achievement standard.

Learners must use the appropriate specialised journals/command centres of their chosen package and learner evidence must demonstrate the correct GST treatment and calculation.

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

Evidence statements in the form of the analysis measures (the ratios and percentages calculated) and interpretations (comments on what the ratios and percentages show) that apply to the company their learners are analysing and interpreting **must** be submitted with the assessment material for moderation purposes. Where assessors have learners analyse and interpret their own selected Company Annual Report (that is each student is analysing a different Company) the Air NZ exemplar is sufficient for evidence statements to illustrate the requirements of achieved, merit and excellence. Where learners analyse and interpret the same Company Annual Report evidence statements (bullet pointed are acceptable) for that company are required.

Explanatory note 6 lists the different types of “*interpretations*” to be selected from. Explanatory notes 7 and 8 give examples of “*straightforward*” and “*in-depth*” interpretations. The Air NZ resource on TKI clearly illustrates the difference between “*straightforward*” and “*in-depth*” interpretations. Assessors should refer to these when making judgements, and also note that:

- a statement of fact such as “*in 2003 the Company's net profit percentage was 10%*” is not an interpretation.
- a statement of a change in an analysis measure such as “*the Net Profit has decreased from 10% to 8%*” is not an identification and explanation of a strength or weakness.
- explaining why an analysis measure increased/decreased by identifying a component of the formulae going up or down such as “*the Current Ratio has improved because current assets have increased and current liabilities have decreased*” is not a valid reason for a trend.

Moderators have noted confusion about what constitutes “*other relevant analysis measures*”. This could create a barrier to achievement at merit and excellence levels, because “*for achievement with merit and achievement with excellence*

learners must have used relevant analysis measures that relate to the annual report” (explanatory note 12). “*Other relevant analysis measures*” are likely to be additional to those listed in explanatory notes 4 and 5. They may be calculated and interpreted as a separate analysis measure calculation or incorporated into a learner’s commentary to explain the reason for a trend/strength or weakness.

Examples of possible “*other relevant other measures*”

For Waste Management:

- calculating the electricity revenue as a percentage of total revenue to illustrate the significance of the increase electrical production
- a sectional breakdown of revenue from Australia compared to New Zealand to illustrate the increased investment and expansion in Australia.

For other companies :

- calculating inventory as a percentage of current assets could be a relevant analysis measure to discuss the businesses liquidity position and its ability to settle immediate debts
- calculating floor space as a percentage of sales could be relevant to discuss the expansion of a business into three new regions and the fall in profitability.

Examples that are NOT “*other relevant other measures*”

- depreciation or amortisation as a percentage of sales (that had a percentage change of approximately 1%) because the change is of no significance. In addition they represent analysis measures listed in Explanatory Note 3.
- percentage changes or expenses as a percentage of sales (which are listed in Explanatory Note 3) unless there was a significant change and they were used to support or explain events the occurred during the year.
- the liquidity ratio

Assessors need to provide specific guidance on what “*other relevant analysis measures*” are, and how they would differ for different companies financial report being interpreted. The TKI assessment activity and Air NZ resource were reviewed at the end of 2006, and amended to further clarify and illustrate acceptable evidence for this. Assessors are encouraged to refer to these examples when making judgements on student work.