



National Qualifications Framework Levels 1–3, 2007

Accounting

National Moderator's Report

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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 2005 and 2006 National Moderator’s reports provided guidance to assessors with regard to:

- Supplying evidence (examples of suitable answers) when submitting material for moderation and the form it may take.
- Using the TKI exemplars for A, M E when making judgments on learners work as they exemplify the national standard.
- Assessment activities needing to face the schools’ internal moderation system before being used for assessment purposes.
- Ensuring the assessment activity downloaded from the TKI site is the most recent.

These comments still apply and should be read in conjunction with this report.

Conditions for assessment

Teachers must be satisfied that internally assessed work submitted by learners is the learners’ own work, reflects the context of the learners investigation and the data collected. Teachers should ensure the extent of teacher input does not compromise assessment validity; in other words and the written answers are those of the learners and not the teachers.

AS 90024: Process financial information for a sole proprietor

Moderators reported assessor judgements in 2007 were consistent with the National Standard with the exception, in some instances, of the requirements for good accounting practice

The 2005 and 2006 National Moderator’s reports clarified and detailed the requirements for:

- a correct entry in the cash journals
- a correct entry in the general ledger
- good accounting practice for the award of merit and excellence

- good accounting practice in regard to the correct use of the receipt column for EFTPOS transactions and posting the sundry column transactions to the general ledger on the correct date

Evidence from external moderation shows that the statements made in the 2005 and 2006 moderation reports still apply and assessors are recommended to refer to these reports for clarification when grading student work.

The web activity Methven Ski Services has been upgraded to meet the national standard. Assessors should ensure they use the latest version of this activity.

AS 90025: Demonstrate an understanding of accounting systems for entities

The 2005 and 2006 National Moderator's reports clarified and detailed the requirements for:

- Criterion 1 *describing and explaining cash control procedures*
- Criterion 2 *identifying and explaining information on financial documents.*

The statements made and examples provided in the 2005 and 2006 moderation reports still apply and assessors are recommended to refer to this report for clarification when making judgements on student work.

The TKI assessment exemplars provide an example of the requirement for “*identifying a range*” of information on source documents. Assessors are encouraged to use this when making decisions on student work.

Assessors are reminded that students are reporting on the cash subsystem investigated therefore their responses must be in context for the entity investigated and reflect the information gathered. Student questionnaires and responses gathered should be submitted for moderation purposes.

AS 90222: Investigate and report on accounting subsystems

The 2005 and 2006 National Moderator's reports made comment on the following:

- The need for a grade decision to be made against the title of the AS based on the total evidence provided.
- The requirements for examples of student evidence when students investigate their own business and when a common entity is investigated.
- The requirements for supplying the student questionnaire and responses gathered with moderation material.
- The requirements for an explanation of a strength and/or weakness.
- The correct outputs and procedures when describing each subsystem.
- The TKI assessment activities exemplify the standard required.

The statements made in 2005 and 2006 still apply and assessors are recommended to refer to this report for clarification when grading student work.

Moderators have identified a lack of understanding by assessors of the requirements for a cost/benefit analysis. The annotated example below, from a TKI activity is provided to assist assessors when making judgements.

Recommendation

A solution to this is for another member of the staff (an accounts clerk) to sit with the Administration clerk for the 20 minutes it takes each day and they open the mail together.

This should prevent theft of inwards cash because with two people involved it is less likely one person would be able to steal. (A specific benefit, related to the recommendation, is partly explained – note this is a weak explained benefit as it does not include how staff are prevented from stealing, however given the detail of the cost of the recommendation there is sufficient total evidence in this case.)

However this would take the accounts clerk away from their work and therefore reduce the amount of work this person does in terms of chargeable hours. Over a week it is nearly two hours of lost chargeable time. (A specific cost, related to the recommendation, is identified and explained)

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

The 2005 and 2006 National Moderators report clarified and detailed the requirements for:

- a correct entry for certain transactions
- evidence – answers generated by the software package being used for the task completed
- the creation of accounts and items and the minimum required to be created,
- separate cost of sales, inventory and sales accounts for each type of inventory
- the updating of the web activities for version 3 for the change in explanatory note 3
- The consideration of explanatory note 8 when choosing a software package and the need to use the software package functions/command centres/journals provided.

The statements made in the 2005 and 2006 moderation report still apply and assessors are recommended to refer to this report for clarification when grading student work.

Explanatory note 3 identifies Part A and B transactions that must be processed. With part A transactions students must have the opportunity to demonstrate sufficiency, that is, they can consistently enter the transactions correctly. For part B transactions it is currently acceptable for only one type of each transaction to be processed.

With regard to explanatory note 5 and creating inventory items learners must complete sales and purchases transactions for each inventory item created to enable them to demonstrate their ability to accurately create the inventory items. Without the completion of sales and purchases transactions learners cannot gain merit or excellence as they have not provided evidence of the correct item creation.

Explanatory note 2 states “*The context for of this achievement standard is a sole proprietor trading firm using a perpetual inventory system and registered for GST on the invoice basis*”. Current practice and best practice for a business using a perpetual inventory system using computer software is to track sales, inventory and cost of sales

by product/item for decision making purposes. Three inventory items are sufficient for the context of the standard.

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

The 2005 and 2006 National Moderators report clarified and detailed the requirements for:

- Evidence – in the form of calculated ratios and percentages and interpretations that apply to the company.
- Acceptable evidence formats with two examples of suggested ways of providing evidence for the company students have analysed.
- Clarifications and examples of valid interpretations for in-depth and straightforward interpretations.
- Other relevant analysis measures.
- Evidence requirements when students analyse the same company and different companies.

The statements made in the 2005 and 2006 moderation reports still apply and assessors are recommended to refer to this report for clarification when grading student work.

Moderators have identified a lack of understanding of “other relevant analysis measures” by assessors, with learners too often calculating expenses as a percentage of sales, percentage changes in sales and the liquidity ratio for their “*other relevant analysis measures*”.

Other relevant analysis measures will most likely be additional to those provided in the list in explanatory note 3. 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. Percentage changes or expenses as a percentage of sales would not normally qualify as *other relevant analysis measures* unless there was a significant change and they were used to support or explain events that occurred during the year.

The following example, using the TKI exemplar, is provided to assist assessors:

*Air New Zealand made a strategic change to its domestic flights, launching the domestic express class in 2002. (This is a strategic decision) All domestic flights were simplified, with the removal of business class and food and beverage on flights resulting in **decreased food costs by 21.57% and staff costs by 31.58%**. (While these are percentage changes (explanatory note 3) they are of significant change and are being used to explain the impact of the strategic decision) This then resulted in more affordable travel encouraging more passengers to fly more frequently. This resulted in a **capacity increase of 10% and increase in online bookings from 4% - 35%**, contributing to the **reduced sales and marketing costs by 29.8%**. There was an overall **6.2% increase in the number of passengers traveling on domestic flights as a result of this strategy**. (While these are percentage changes (explanatory note 3) three involve identifying **non accounting** information that has impacted on*

*profitability, the other is of significant change and is being used to explain the impact of the strategic decision on expenses). Although the full impact of the domestic express class has not been included in the annual report it has made a substantial difference. Another factor contributing to **the improved profit is the 32% decrease in aircraft leasing costs as a result of the strengthening NZ dollar**. (Another percentage change (explanatory note 3) but is of significant change)*

Finance Lease Liabilities as % of Current Liabilities

Finance lease liabilities as a % of current liabilities has decreased from 13.55% to 0.23% from 2002 to 2003 as a result of the early lease repayment (discussed in interest expense commentary). The decrease in the finance lease liabilities has contributed to the improving current ratio. (An “other relevant analysis” measure is calculated and interpreted separately – this calculation has been used to further elaborate on the current ratio change)

Unit Standards in Accounting

An increased range of unit standards were assessed in 2007.

While most assessment material submitted specifies the latest version of the unit standard, it is recommended that assessors ensure their assessment materials (the task, evidence and judgment statements) have been appropriately amended to the latest version, as some do not reflect changes to the standards.

It is a requirement of the moderation system that the assessment schedule contain specific examples of the required evidence (answers) along with the details of how this evidence will be judged when deciding on the grade to be awarded. Evidence statements are required to exemplify valid student answers including the depth and detail required. Judgment statements describe the quality of the evidence in terms of key features and links.

Version 4 of the Accounting Unit Standards were registered in term 1 of 2007 to incorporate the impact of the introduction of the NZ Equivalents to the International Financial Reporting Standards (NZIFRS), The NZ Framework and to add clarifications.

To assist assessors in designing assessment tasks and making judgements, the following comments are made on the more common unit standards assessed in 2007.

US7375 Partnership formation and financial statements

- In the formation of a partnership (pc 2.2) it is expected that the business take over assets at agreed values and book value.
- The chart of accounts for a partnership (pc 2.1) includes accounts for partners salaries, interest on partners capital, etc.
- The Balance sheet prepared (pc 3.3) would include a range of Current and Non- Current Assets (including depreciation) and Current and Non- Current Liabilities.

7359, 7374 Concepts

The special notes identify The New Zealand Framework (New Zealand Equivalent to the International Accounting Standards Board Framework (NZIAS) for the Preparation and Presentation of Financial Statements); available from the New Zealand Institute of Chartered Accountants (website address: <http://www.nzica.com>). Assessors should access a copy of this document as it provides up to date information on the conceptual basis of accounting under the NZIRFS environment.

7361, 7372, 7375 and 7377 Financial Statements preparation

Examples of acceptable formats for Version 4 of the Unit standards are provided in the Levels 1, 2 and 3 Accounting appendices. Web address <http://www.tki.org.nz/e/community/ncea/support.php>

7366, 7367, 7367 Accounting subsystems

For the Element “*Analyse a Subsystem*” in each of the above standards the performance criteria requires:

- a “*system to be document flowcharted using appropriate flow charting symbols and format*”. A small aspect of a system, for example, the bank reconciliation process, or the opening of mail process are insufficient.
- “*strengths and/or weaknesses (of the system) are identified and explained in terms of their impact*”. Explaining the weakness in terms of its impact involves explaining how it could lead to a possible loss and explaining the strength in terms of its impact involves explaining how it prevents a possible loss. Assessors should refer to the 2006 National Moderators report for AS 90222 for examples.
- For the performance criteria “*General and subsidiary ledgers are prepared and reconciled from given data*”, learners must demonstrate sufficiency, that is, complete sufficient transactions across a number of subsidiary ledger accounts and then reconcile the general and subsidiary ledgers.