

---

**Prescription: 500 Accounting Principles**


---

This prescription replaces *400 Accounting Principles*.

**Core prescription**

<b>Level</b>	5
<b>Credit</b>	20
<b>Version</b>	2
<b>Aim</b>	Students will understand financial statements and reports and be able to analyse and interpret financial performance for sole traders and small companies.
<b>Prerequisites</b>	Nil

**Assessment weightings**

Learning outcomes	Assessment weighting %
1. Students will discuss the purpose of accounting and its relationship to the New Zealand business environment.	15
2. Students will examine and apply accounting concepts and policies to prepare financial statements for a sole trader and/or a small company	45
3. Students will analyse and report on financial performance for a sole trader or a small company.	30
4. Students will analyse and apply management accounting tools.	10
<b>Total</b>	<b>100</b>

All learning outcomes must be evidenced; a 10% aggregate variance is allowed.

**Assessment notes**

1. Assessment materials should reflect relevant and current legislation, standards, regulations and acknowledged good industry/business practices.
2. Learning outcomes one and two do not include assessment of debits and credits.

### **Learning outcome one**

Students will discuss the purpose of accounting and its relationship to the New Zealand business environment.

Key elements:

- a) Roles of accountants.
- b) Users of financial information.
- c) Purpose of financial statements.
- d) The accounting cycle.
- e) The impact of GST on business.
- f) The function of internal controls.
- g) The various forms of business ownership.
- h) The New Zealand share market.

**Learning outcome two**

Students will examine and apply accounting concepts and policies to prepare financial statements for a sole trader and/or a small company.

Key elements:

- a) The New Zealand Framework for the Preparation and Presentation of Financial Statements:
  - definitions of accounting elements
  - qualitative characteristics
  - going concern assumption.
- b) Impact of accounting policies on financial statements:
  - receivables
  - inventory
  - property, plant and equipment.
- c) The effect of transactions on the expanded accounting equation.
- d) Impact of balance day adjustments on financial statements:
  - accruals
  - prepayments
  - depreciation.
- e) Financial statements:
  - balance sheet
  - income statement
  - statement of changes in equity
  - statement of cash flows.

**Learning outcome three**

Students will analyse and report on financial performance for a sole trader or a small company.

Key elements:

- a) Purpose and limitations of financial analysis.
- b) Calculation of ratios and percentages.
- c) Profitability, financial stability and asset utilisation.
- d) Recommendations.

**Learning outcome four**

Students will analyse and apply management accounting tools.

Key elements:

- a) Purpose and limitation of budgets.
- b) Preparation of a budgeted income statement.
- c) Variance report:
  - calculation
  - evaluation.
- d) Simple break-even analysis.

**Status information and last date for assessment for superseded versions**

Process	Version	Date	Last Date for Assessment
Introduced	1	October 2012	31 December 2017
Revision	2	June 2016	31 December 2020