

Achievement Standard

Subject Reference Accounting 1.3

Title Prepare financial statements for sole proprietors

Level 1 **Credits** 5 **Assessment** External

Subfield Accounting

Domain Accounting - Generic

Status Registered **Status date** 30 November 2010

Planned review date 31 December 2014 **Date version published** 30 November 2010

This achievement standard involves preparing financial statements for sole proprietors.

Achievement Criteria

Achievement	Achievement with Merit	Achievement with Excellence
<ul style="list-style-type: none"> Prepare financial statements for sole proprietors. 	<ul style="list-style-type: none"> Prepare in-depth financial statements for sole proprietors. 	<ul style="list-style-type: none"> Prepare comprehensive financial statements for sole proprietors.

Explanatory Notes

1 This achievement standard is aligned with *The New Zealand Curriculum*, Learning Media, Ministry of Education, 2007.

2 *Prepare financial statements for sole proprietors* means:

- prepare classified financial statements or financial statement extracts for sole proprietors.

Prepare in-depth financial statements for sole proprietors means:

- prepare in-depth classified financial statements or financial statement extracts for sole proprietors where in-depth classified financial statements or financial statement extracts include:
 - balance day adjustments where the figure is provided
 - distinguishing cash and non-cash transactions when completing the cash budget.

Prepare comprehensive financial statements for sole proprietors means:

- prepare comprehensive classified financial statements or financial statement extracts for sole proprietors where comprehensive classified financial statements or financial statement extracts include:
 - balance day adjustments where the figure is provided
 - balance day or other adjustments where the figure requires a calculation
 - distinguishing cash and non-cash transactions when completing the cash budget
 - no foreign items.
- 3 A foreign item is an item in a financial statement that should not appear in that financial statement.
- 4 *Balance day adjustments where the figure is provided* is selected from the following:
- accrued expenses (limited to wages and interest)
 - accrued income (limited to interest received and dividends received)
 - prepayments (the figure provided will exclude GST)
 - income in advance (the figure provided will exclude GST)
 - depreciation on a straight-line basis.
- 5 *Balance day or other adjustments where the figure requires a calculation* is selected from the following:
- depreciation on a straight-line basis
 - accounts payable (including GST) for purchases/supplies
 - accounts receivable (including GST) for sales/fees
 - purchase of an item of property, plant and equipment (including GST) on credit
 - dividing a given figure to allocate to one or more classifications or to determine the figure to use in a cash budget.
- 6 The sole proprietor firms are registered for GST on the payments basis and are either:
- service firms and/or
 - trading firms that use a periodic inventory system.
- 7 *Financial statements* will be selected from:
- Income Statement with classification of expenses appropriate to the business activities.
 - Balance Sheet and note for property, plant and equipment
 - equity to show opening capital, profit/loss for the year, drawings and closing capital
 - classification of assets into current and non-current (investments, property, plant and equipment, intangibles)
 - classification of liabilities into current and non-current.
 - Cash Budget
 - cash movements to be shown as estimated cash receipts and estimated cash payments
 - the difference shown as surplus or deficit of cash.

Note:

- Income Statement and Balance Sheet are to be prepared on a GST exclusive basis with the GST payable/receivable shown in the Balance Sheet.
- The note for property, plant and equipment is limited to cost, accumulated depreciation and carrying amount.
- Cash Budget will be prepared on a GST inclusive basis.

- 8 Assessment Specifications for this achievement standard can be accessed through the Accounting Resources page found at <http://www.nzqa.govt.nz/qualifications-standards/qualifications/ncea/ncea-subject-resources/>.

Replacement Information

This achievement standard replaced unit standard 7361.

Quality Assurance

- 1 Providers and Industry Training Organisations must be accredited by NZQA before they can register credits from assessment against achievement standards.
- 2 Accredited providers and Industry Training Organisations assessing against achievement standards must engage with the moderation system that applies to those achievement standards.

Accreditation and Moderation Action Plan (AMAP) reference

0233