



National Certificate of Educational Achievement

2011 Assessment Report

Accounting Level 1

- 90976 Demonstrate understanding of accounting concepts for small entities**
- 90978 Prepare financial statements for sole proprietors**
- 90980 Interpret accounting information for sole proprietors**

COMMENTARY

Students should be encouraged to spend time thinking about the context of the assessment before answering the questions; this enables them to specifically answer the question being asked in the context of the entity.

90976 Demonstrate understanding of accounting concepts for small entities

ACHIEVEMENT

Candidates who were awarded Achievement for this standard demonstrated the required skills and knowledge. They typically:

- provided context in their answers
- understood the appropriate users of financial statements for *Mele's Movie Theatre*
- described the purpose of the correct financial statement including the appropriate time reference for the information
- described the effect of the transaction on the elements of the accounting equation
- described accurately the characteristics of an asset, expense and/or income
- described accurately the definitions of the accounting concepts of accrual basis, historical cost, monetary measurement, or going concern
- stated that the movie projector is reported as a non-current asset at NZ\$12 000 in the statement of financial position
- correctly identified incomes and expenses from the list provided.

NOT ACHIEVED

Candidates who were assessed as Not Achieved for this standard lacked some or all of the skills and knowledge required for the award of Achievement. They typically:

- identified items that were not income or expenses
- described inappropriate users of the financial statements and the accountant for a sole proprietorship movie business e.g. shareholders, customers, financial adviser
- demonstrated an incomplete knowledge of the financial elements, not covering all the characteristics required
- identified an incorrect accounting concept, or provided an incomplete/inaccurate description in their answer
- stated that the income statement showed money paid or received
- left some questions unanswered or partially attempted
- used vague or inappropriate terminology
- did not attempt the accounting equation.

ACHIEVEMENT WITH MERIT

In addition to the skills and knowledge required for the award of Achievement, candidates who were awarded Achievement with Merit typically:

- provided a general decision that Mele would make by using the information from the income statement e.g. decide which expenses to decrease, decide how to improve the profit

- explained how the interest owing on term deposit is reported in the income statement and/or statement of financial position in accordance with the accrual concept
- provided clear working in using the accounting equation to calculate the equity, which allowed for calculation errors to be considered and given credit
- explained the effect of the transaction on the actual ledger accounts (e.g. equipment and accounts payable) in addition to the elements of the accounting equation, as well as the \$12 000
- explained how the movie projector meets all the characteristics of an asset with clear integration of the resource information and realising that generating future economic benefits is bringing regular income stream into the business and not the ability to sell the asset later
- explained at least one appropriate accounting concept being used in the reporting of the movie projector integrating appropriate resource material
- used the definition (all three characteristics) of an income/expense to explain how the movie tickets sales is an income and/or the till paper is an expense by detailing how a specific asset/liability account was affected, and how the change in profit led to the change in equity.

ACHIEVEMENT WITH EXCELLENCE

In addition to the skills and knowledge required for the award of Achievement with Merit, candidates who were awarded Achievement with Excellence typically:

- applied the income statement to a specific decision that Mele could make e.g. increase mark-up/reduce electricity expenses to increase the profit
- applied the accrual basis concept to the reporting of the interest owing on term deposit by explaining why the transaction is reported in the financial statements the way it is and not only repeating the question or definition e.g. because *Mele's Movie Theatre* earned the interest this year but hasn't received it yet ...
- applied the characteristics of an asset detailing fully how the movie projector is used e.g. showing movies to customers to generate future economic benefit e.g. increasing ticket sales income, resulting in an increase in cash from customers, as well as applying the past transaction and present control in context
- applied the accounting concepts by detailing fully how and why the concept has been applied in the reporting of the movie projector
- applied the characteristics of income and/or expenses detailing how and why the asset bank (or similar) has increased/decreased, as well as the relationship to Mele, the owner.

OTHER COMMENTS

Candidates must ensure that they use appropriate accounting language in the correct context. There is a difference between record (in accounting records e.g. journals and ledgers) and report (in financial statements). The use of words such as 'worth, owns, things, everything, listed, put-in, value etc' should be avoided and replaced with the appropriate terms such as 'controls, assets, transactions, recorded, reported' etc.

Candidates who wrote the definition (usually rote-learned) of the financial element or concept in their answer, either in full as a separate statement or using the correct words as part of their explanation, tended to write clearer, more accurate answers and were rewarded for this. Those who did not do this tended to miss out a key characteristic or component of the definition, or wrote vague, ambiguous answers that could not be given credit.

The achievement standard states that 'small entities' are to be sole proprietorships or incorporated or unincorporated community organisations. It was concerning the number of candidates who provided inappropriate users for a sole proprietorship that were beyond the scope of the standard e.g. shareholders, partners. It is unlikely for a sole proprietorship to provide the financial statements to their employees (other than the managers), customers, or have investors who aren't a lender or the owner.

It is important to write answers in context whenever appropriate.

90978 Prepare financial statements for sole proprietors

ACHIEVEMENT

Candidates who were awarded Achievement for this standard demonstrated the required skills and knowledge. They typically:

- classified income and expenses in the Income Statement
- classified assets and liabilities in the Statement of Financial Position
- prepared some items correctly in the PPE table
- entered items in the cash budget but included foreign items as well.

NOT ACHIEVED

Candidates who were assessed as Not Achieved for this standard lacked some or all of the skills and knowledge required for the award of Achievement. They typically:

- classified items in the financial statements incorrectly
- entered items in to the incorrect financial statement.

ACHIEVEMENT WITH MERIT

In addition to the skills and knowledge required for the award of Achievement, candidates who were awarded Achievement with Merit typically:

- adjusted depreciation correctly
- adjusted wages and advertising correctly
- created temporary asset and liability accounts for the balance day adjustments (prepayments, income in advance, accrued expenses) and named them correctly
- distinguished between most of the cash and non-cash items correctly.

ACHIEVEMENT WITH EXCELLENCE

In addition to the skills and knowledge required for the award of Achievement with Merit, candidates who were awarded Achievement with Excellence typically:

- adjusted fees correctly
- created accounts receivable account correctly
- entered items in the correct financial statements without any additional items
- distinguished between cash and non-cash items by entering cash items only in the cash budget.

90980 Interpret accounting information for sole proprietors

ACHIEVEMENT

Candidates who were awarded Achievement for this standard demonstrated the required skills and knowledge. They typically:

- calculated some analysis measures
- described the trend
- described a reason for the change in percentage or ratio.

NOT ACHIEVED

Candidates who were assessed as Not Achieved for this standard lacked some or all of the skills and knowledge required for the award of Achievement. They typically:

- calculated analysis measures without providing any evidence of interpretation
- described the percentage or ratio using incorrect components
- selected an incorrect component to describe the trend
- did not attempt some questions.

ACHIEVEMENT WITH MERIT

In addition to the skills and knowledge required for the award of Achievement, candidates who were awarded Achievement with Merit typically:

- explained percentage trends or ratio trends by correctly including context and an example in their explanation
- provided a recommendation including context and a way to achieve the desired outcome.

ACHIEVEMENT WITH EXCELLENCE

In addition to the skills and knowledge required for the award of Achievement with Merit, candidates who were awarded Achievement with Excellence typically:

- fully explained percentage trends or ratio trends by linking it back to the question
- used critical thinking to justify a recommendation and linking it back to the question.

OTHER COMMENTS

Students should be encouraged to incorporate examples, context, and innovative ideas into their answers. An example of this was in the question relating to how to improve sales and some of the students' answers included sponsorship of a surf club, set up a loyalty scheme, create an online shop to reach the whole of New Zealand, create a Facebook page.

Students talking about an increase/decrease in mark-up must talk about prices. Also, if students talk about cost price, they must talk about selling price.