

Assessment Schedule – 2012**Accounting: Demonstrate understanding of accounting concepts for an entity that operates accounting subsystems (91174)**

Not answered / no evidence = NØ

Evidence Statement

Question	Evidence
ONE (a) (i)	The accounting entity notion requires that the business and personal asset, liabilities, income, and expenses are kept separate / the personal transactions of the owner are kept separate from the business. <i>Garden Services'</i> income / expenses will be reported in it as it is the Income Statement for the business.
(ii)	If Sarah includes any of her own income or expenses in <i>Garden Services'</i> Income Statement, the profit figure being reported won't represent the profit of the business, and she may make decisions based on this profit figure that could be wrong / make a decision she wouldn't make if the profit had been correct / have her decisions influenced by this profit figure.
(b)	<ul style="list-style-type: none"> • The loan is a liability because in the past, <i>Garden Services</i> took out the loan. There is a present obligation to repay the loan, and this will involve a payment of cash to the bank. • The value of the loan can be measured reliably as there is a loan document / contract with the bank stating how much has been borrowed and how much the repayments are. • The loan is a current liability because it will be paid back in November, which is within a year of balance day; if the loan had been due after March 2013, then it would have been recorded as non-current.

Judgement Statement – Question One

Not Achieved	N1	ONE of: <ul style="list-style-type: none"> • partially correct description of accounting entity given • two of past, present, future in context of liability definition • there is a document • loan will be paid back shortly.
	N2	TWO of: <ul style="list-style-type: none"> • partially correct description of accounting entity given • two of past, present, future in context of liability definition • there is a document • loan will be paid back shortly.
Achievement	A3	TWO of: <ul style="list-style-type: none"> • describes the notion of accounting entity • correctly describes in the context of the loan to TWO of past, present, and future • there is a source document for the loan (can mention incorrect document, eg receipt or invoice) • current liability is paid back within the next year, OR non-current liability is paid back in two years or longer.
	A4	THREE of: <ul style="list-style-type: none"> • describes / defines accurately the notion of accounting entity • correctly describes in the context of the loan to TWO of past, present, and future • there is a source document for the loan (can mention inappropriate document eg receipt or invoice) • current liability is paid back within the next year or non-current liability is paid back in two years or longer idea.

Achievement	A3	<p>TWO of:</p> <ul style="list-style-type: none"> describes the notion of accounting entity correctly describes in the context of the loan to TWO of past, present, and future there is a source document for the loan (can mention incorrect document, eg receipt or invoice) current liability is paid back within the next year or non-current liability is paid back in two years or longer idea.
	A4	<p>THREE of:</p> <ul style="list-style-type: none"> describes / defines accurately the notion of accounting entity correctly describes in the context of the loan to TWO of past, present, and future there is a source document for the loan (can mention inappropriate document, eg receipt or invoice) current liability is paid back within the next year or non-current liability is paid back in two years or longer.
Merit	M5	<p>Explains ONE of:</p> <ul style="list-style-type: none"> accounting entity notion as it relates to <i>Garden Services</i> i.e. makes it clear that only the business income <i>OR</i> expenses <i>OR</i> profit are included <i>AND</i> must say the income statement or a component of it won't be correct why the loan meets the past, present, and future definition requirements of a liability <i>AND</i> either how an appropriate source document provides a reliable measure of the cost <i>OR how</i> the loan is now a current liability because it is due in November i.e. within one year of balance day. [Not necessarily November, but clearly indicates THIS LOAN is due in less than a year]. Student must refer to NEXT period not CURRENT period.
	M6	<p>Explains TWO of:</p> <ul style="list-style-type: none"> accounting entity notion as it relates to <i>Garden Services</i>, ie makes it clear that only the business income <i>OR</i> expenses <i>OR</i> profit are included <i>AND</i> must say the income statement or a component of it won't be correct why the loan meets the past, present, and future definition [must have all three] requirements of a liability <i>AND</i> either how an appropriate source document provides a reliable measure of the cost <i>OR how</i> the loan is now a current liability because it is due in November i.e. within one year of balance day. [Not necessarily November, but clearly indicates THIS LOAN is due in less than a year]. Student must refer to NEXT period, not CURRENT period.
Excellence	E7	<p>Justifies ONE:</p> <ul style="list-style-type: none"> if personal income / expenses are included in <i>Garden Services</i> Income Statement incorrect decisions could be made by Sarah based on the income / expense / profit / financial information in the statement why the loan meets the past, present, and future definition [must have all three] requirements of a liability <i>AND</i> how an appropriate source document provides a reliable measure of the cost <i>AND how</i> the loan is now a current liability because it is due in November / within one year of balance day. Student must refer to NEXT period not CURRENT period.
	E8	<p>Justifies TWO of:</p> <ul style="list-style-type: none"> If personal income / expenses are included in <i>Garden Services</i> Income Statement incorrect decisions could be made by Sarah based on the income / expense / profit / financial information in the statement Why the loan meets the past, present, and future definition [must have all three] requirements of a liability <i>AND</i> how an appropriate source document provides a reliable measure of the cost <i>AND how</i> the loan is now a current liability because it is due in November / within one year of balance day. Student must refer to NEXT period, not CURRENT period.

Question	Evidence
<p>TWO (a) (i)</p>	<p>Collection fees are income because there is an increase in the asset bank when customers pay for the garden waste to be collected, which increases net profit and, therefore, equity. It is not a contribution from the owner, Sarah.</p>
<p>(ii)</p>	<p>It is probable that cash will flow to <i>Garden Services</i> and, therefore, the amount charged to businesses for waste collection can be recognised as collection fees as:</p> <ul style="list-style-type: none"> • there is no indication that the businesses won't pay what they owe OR • <i>Garden Services</i> performed a credit check before offering credit and has offered credit only to those businesses with a good credit rating OR • the businesses want to continue using the waste management service, so they will make the payment to continue to do so.
<p>(b)</p>	<ul style="list-style-type: none"> • The depreciation of an asset involves an allocation of its depreciable amount over its estimated useful life. • When the trucks are depreciated by units of use, it means the depreciable amount is allocated based on the kilometres the trucks have travelled, whereas a straight-line method shows the depreciable amount as the same each year / spread evenly over its useful life for the office equipment. • The units of use method is appropriate for the trucks because the amount of economic benefit consumed is not the same each year; rather, it varies based on the amount of kilometres the trucks travel and, thus, it is appropriate to use this method. The office equipment's economic benefit consumed is the same each year as the use of the office equipment doesn't really change; hence, it is appropriate to depreciate with a straight-line method.

Judgement Statement – Question Two

Not Achieved	N1	<p>ONE of:</p> <ul style="list-style-type: none"> • describes TWO of increase in economic benefits, increase in equity, or contributions from owner • it is probable that future economic benefit will flow to <i>Garden Services</i> • depreciation allocates an asset • units of use and straight-line method calculate depreciation differently • straight-line depreciation is the same each year and units of use is different each year.
	N2	<p>TWO of:</p> <ul style="list-style-type: none"> • describes TWO of increase in economic benefits, increase in equity or contributions from owner • it is probable that future economic benefit will flow to <i>Garden Services</i> • depreciation allocates an asset • units of use and straight-line method calculate depreciation differently • straight-line depreciation is the same each year, and units of use is different each year.
Achievement	A3	<p>TWO of:</p> <ul style="list-style-type: none"> • gives the definition of income with a link to either bank or accounts receivable increasing or net profit increasing equity • it is probable that future economic benefit will flow to <i>Garden Services</i> because the customers will pay what they owe • idea of allocating depreciable amount or allocating cost over estimated useful life • <i>EITHER</i>: <ul style="list-style-type: none"> - straight-line is the same amount of depreciation each year OR - units of use determines depreciation by how much the truck is used.
	A4	<p>THREE of:</p> <ul style="list-style-type: none"> • gives the definition of income with a link to either bank or accounts receivable increasing or net profit increasing equity • it is probable that future economic benefit will flow to <i>Garden Services</i> because the customers will pay what they owe • idea of allocating depreciable amount or allocating cost over estimated useful life • <i>EITHER</i>: <ul style="list-style-type: none"> - straight-line is the same amount of depreciation each year OR - units of use determines depreciation by how much the truck is used.

Merit	M5	<p>THREE of:</p> <ul style="list-style-type: none"> • correctly explains why collection fees is income – must use all three parts and refer to profit • <i>EITHER</i>: it is probable that future economic benefit will flow to <i>Garden Services</i> using a reasonable reason <i>OR</i> it is probable that cash / money will flow to <i>Garden Services</i> • idea of allocating depreciable amount over estimated useful life • <i>EITHER</i>: - depreciation is calculated / the depreciable amount is allocated in the units of use method based on the kilometres / distance the truck has travelled <i>OR</i> - with the straight-line method the amount of depreciation is the same each year. [Need to accurately explain one method] • <i>EITHER</i>: - the units of use method is appropriate for trucks because the amount of economic benefit consumed is not the same each year <i>OR</i> - the straight-line method is appropriate for office equipment because the amount of economic benefit consumed is the same each year. [Need to accurately explain pattern of consumption for one method].
	M6	<p>FOUR of:</p> <ul style="list-style-type: none"> • correctly explains why collection fees is income – must use all three parts and refer to profit • <i>EITHER</i>: it is probable that future economic benefit will flow to <i>Garden Services</i> using a reasonable reason <i>OR</i> it is probable that cash / money will flow to <i>Garden Services</i> • idea of allocating depreciable amount over estimated useful life • <i>EITHER</i>: - depreciation is calculated / the depreciable amount is allocated in the units of use method based on the kilometres / distance the truck has travelled <i>OR</i> - with the straight-line method the amount of depreciation is the same each year. [Need to accurately explain one method] • <i>EITHER</i>: - the units of use method is appropriate for trucks because the amount of economic benefit consumed is not the same each year <i>OR</i> - the straight-line method is appropriate for office equipment because the amount of economic benefit consumed is the same each year. [Need to accurately explain pattern of consumption for one method].

Excellence	E7	<p>ONE of:</p> <ul style="list-style-type: none"> • uses the definition of income linked to bank / accounts receivable increasing <i>AND</i> net profit increasing equity <i>AND</i> not a contribution from the owner, <i>AND</i> probability with a reason • Definition of depreciation <i>AND</i> both methods accurately explained <i>AND</i> pattern of consumption accurately explained for both.
	E8	<p>TWO of:</p> <ul style="list-style-type: none"> • uses the definition of income linked to bank / accounts receivable increasing <i>AND</i> net profit increasing equity <i>AND</i> not a contribution from the owner, <i>AND</i> probability with a reason • Definition of depreciation <i>AND</i> both methods accurately explained <i>AND</i> pattern of consumption accurately explained for both.

Question	Evidence
THREE (a)	The invoice will be reported by \$800 being added the repairs expense for the year. It is added because it is an expense of the year ended 31 March 2012, so it needs to be reported in this year's Income Statement so that all expenses are reported for the period.
(b) (i)	<ul style="list-style-type: none"> • The quality /reliability of the service provided when <i>Garden Services</i> makes collections. • How friendly and helpful <i>Garden Services</i> staff are with customers. • How loyal <i>Garden Services</i> staff are to the business. • The quality and condition of the trucks and equipment of <i>Garden Services</i>.
(ii)	<ul style="list-style-type: none"> • The quality and reliability of the service can't be given a monetary measurement, but it does provide future economic benefit to <i>Garden Services</i>, as the quality of service when the garden bags / wheelie bins are picked up will influence whether customers will continue to use the business. This could be a significant reason for the success of the business, but it is not included in the Statement of Financial Position. • How friendly and helpful <i>Garden Services</i> staff are with customers can't be given a monetary measurement, but it does provide future economic benefit to <i>Garden Services</i>, as the quality of service when staff deal with customers will influence whether customers will continue to use the business. This could be a significant reason for the success of the business, but it is not included in the Statement of Financial Position.

Judgement Statement – Question Three

Not Achieved	N1	<p>ONE of:</p> <ul style="list-style-type: none"> partial definition of accrual basis [this applies if there is only reference to RECORDING] partial definition of monetary measurement identifies piece of realistic information without linking to Tala's decision to buy <i>Garden Services</i> identifies a limitations of Income Statement (eg estimates of doubtful debts and depreciation) rather than non-financial information.
	N2	<p>TWO of:</p> <ul style="list-style-type: none"> partial definition of accrual basis [this applies if there is only reference to RECORDING] partial definition of monetary measurement identifies piece of realistic information without linking to Tala's decision to buy <i>Garden Services</i> identifies a limitations of Income Statement (eg estimates of doubtful debts and depreciation) rather than non-financial information.
Achievement	A3	<p>TWO of:</p> <ul style="list-style-type: none"> full definition of accrual basis given with an attempt to link to context full definition of monetary measurement with an attempt to link to context describes a valid example of a piece of information that can't be given a monetary measurement states the piece of information will provide benefit to <i>Garden Services</i> without an accurate explanation of how it will provide it.
	A4	<p>THREE of:</p> <ul style="list-style-type: none"> full definition of accrual basis given with an attempt to link to context full definition of monetary measurement with an attempt to link to context describes a valid example of a piece of information that can't be given a monetary measurement states the piece of information will provide benefit to <i>Garden Services</i> without an accurate explanation of how it will provide it.
Merit	M5	<p>ONE of:</p> <ul style="list-style-type: none"> explains that the repairs expense will be increased by \$800, because it is an expense of the period explains why the piece of information will provide benefit to <i>Garden Services</i> without linking it specifically to Tala's decision to buy the business.
	M6	<p>TWO of:</p> <ul style="list-style-type: none"> explains that the repairs expense will be increased by \$800, because it is an expense of the period explains why the piece of information will provide benefit to <i>Garden Services</i> without linking it specifically to Tala's decision to buy the business.

Excellence	E7	<p>ONE of:</p> <ul style="list-style-type: none"> • the accrual basis is applied to the invoice (or reference to payment not yet been made) with a clear explanation that the repairs expense will be increased by \$800, because it belongs to this period • explains why the piece of information is important <i>AND</i> how it is a significant reason for the success of the business <i>AND</i> relates to Tala’s decision to buy the business.
	E8	<p>TWO of:</p> <ul style="list-style-type: none"> • the accrual basis is applied to the invoice (or reference to payment not yet been made) with a clear explanation that the repairs expense will be increased by \$800, because it belongs to this period • explains why the piece of information is important <i>AND</i> how it is a significant reason for the success of the business <i>AND</i> relates to Tala’s decision to buy the business.

Question	Evidence
FOUR (a) (i)	Information is neutral if it is free from bias, so all information reported in the Income Statements for <i>Garden Services</i> should be from arm's length transactions between the business and other entities / should be based on information from source documents. The expenses and income figures should not have been made up by Sarah.
(ii)	Tala is going to use the profitability information / the profits reported in the Income Statement to help him make a decision whether to buy the business. He needs to be confident that the profit figures being reported are neutral / complete / free from error, ie that they faithfully represent the profit of the business and that they have not been made up by Sarah. If the profit is overstated, it could mislead him.
(b)	The purpose of an Income Statement is to show the profitability of a business over a period of time. Comparability enables users to identify similarities and differences from information provided. Having three years of Income Statements provides comparability as the profit from each year can be compared to see if it is growing or not. In this case, a growth in profit over the three years would support a decision by Tala to buy the business / <i>Garden Services</i> , as it is a good indication that it will also be profitability for him in the future.

Judgement Statement – Question Four

Not Achieved	N1	ONE of: <ul style="list-style-type: none"> • purpose of Income Statement is to show income <i>OR</i> expenses <i>OR</i> profit • recognises similarities <i>OR</i> differences <i>OR</i> progress <i>OR</i> trends.
	N2	TWO of: <ul style="list-style-type: none"> • purpose of Income Statement is to show income <i>OR</i> expenses <i>OR</i> profit • recognises similarities <i>OR</i> differences <i>OR</i> progress <i>OR</i> trends.
Achievement	A3	TWO of: <ul style="list-style-type: none"> • describes neutral as free from bias <i>OR</i> reference to a source document • recognises purpose of Income Statement is to report or show income <i>OR</i> expenses <i>AND</i> profit • recognises comparability is about identifying similarities <i>OR</i> differences <i>OR</i> progress <i>OR</i> trends.
	A4	THREE of: <ul style="list-style-type: none"> • describes neutral as free from bias <i>OR</i> reference to a source document • recognises purpose of Income Statement is to report or show income <i>OR</i> expenses <i>AND</i> profit • recognises comparability is about identifying similarities <i>OR</i> differences <i>OR</i> progress <i>OR</i> trends.
Merit	M5	ONE of: <ul style="list-style-type: none"> • explains how Tala needs to be confident that the Income Statement has faithful representation, because he could be misled / make inaccurate decisions if it is not neutral • explains that statements for three years would be compared to show progress (profit increasing / income increasing / expenses decreasing) <i>AND</i> linked to Tala's decision to buy the business.
	M6	TWO of: <ul style="list-style-type: none"> • explains how Tala needs to be confident that the Income Statement has faithful representation because he could be misled / make inaccurate decisions if it is not neutral • explains that statements for three years would be compared to show progress (profit increasing / income increasing / expenses decreasing) <i>AND</i> linked to Tala's decision to buy the business.

Excellence	E7	<p>ONE of:</p> <ul style="list-style-type: none"> explains how Tala needs to be confident that the Income Statement has faithful representation because he could be misled <i>AND</i> could therefore suffer some loss explains that statements for three years would be compared to show progress (profit increasing / income increasing / expenses decreasing) <i>AND</i> linked to Tala's decision to buy the business <i>AND</i> reference to the future, eg indication of likely profit in the future.
	E8	<p>TWO of:</p> <ul style="list-style-type: none"> explains how Tala needs to be confident that the Income Statement has faithful representation because he could be misled <i>AND</i> could therefore suffer some loss explains that statements for three years would be compared to show progress (profit increasing / income increasing / expenses decreasing) <i>AND</i> linked to Tala's decision to buy the business <i>AND</i> reference to the future, eg indication of likely profit in the future.

Judgement Statement

	Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
Score range	0 – 9	10 – 18	19 – 25	26 – 32