

Assessment Schedule – 2015

Accounting: Demonstrate understanding of accounting concepts for an entity that operates accounting subsystems (91174)

Evidence

Question	Evidence
<p>ONE (a)</p>	<p>The purpose of the Income Statement for <i>Healthy Greens</i> is to show the total revenue less total expenses, and, therefore, profit for the year. The reporting period has been applied by dividing the economic activity/life of <i>Healthy Greens</i> into nominated time periods, which in this case is yearly i.e. 2012, 2013, 2014. Dividing the life of the business into years enables comparisons to be made from one year to the next. The bank manager is able to readily compare the performance of <i>Healthy Greens</i> over a three-year period, and hence is able to identify that the (sales figures have increased from \$24 000 in 2012 to \$41 000 in 2014), and profit for the year figures have steadily increased from \$11 800 in 2012 to \$25 700 in 2014. This would indicate to the bank manager that <i>Healthy Greens</i> is making sufficient profit to repay the loan obligation and interest on the loan.</p>
(b)	<p>The loan is a liability for <i>Healthy Greens</i>, as it was raised in the past, when the bank manager granted the loan. <i>Healthy Greens</i> now has an obligation to repay the loan in the future, which will result in an outflow of resources cash from <i>Healthy Greens</i> bank account. The reporting of the loan in the Statement of Financial Position as a non-current liability will have the qualitative characteristic of faithful representation as <i>Healthy Greens</i> will have a loan agreement that is complete/neutral/free from error. The loan agreement would have been prepared by a third party. The loan agreement is showing the loan will not be paid back in the next 12 months, as any liability that is settled within 12 months is current and this loan has a maturity date of 31 March 2020.</p>

Not Achieved	N0 = No response; no relevant evidence	
	N1	<p>TWO of:</p> <ul style="list-style-type: none"> • identifies a purpose of the income statement • partial definition of the reporting period concept • partial definition of comparability • two of past, present, future in context of liability definition • partial definition of faithful representation • partial explanation of a non-current liability.
	N2	<p>THREE of:</p> <ul style="list-style-type: none"> • identifies a purpose of the income statement • partial definition of the reporting period concept • partial definition of comparability • two of past, present, future in context of liability definition • partial definition of faithful representation • partial explanation of a non-current liability.
Achievement	A3	<p>TWO of:</p> <ul style="list-style-type: none"> • describes the purpose of the income statement in context (Healthy Greens) • describes comparability in context (R/E/P) of the income statements for <i>Healthy Greens</i> • correctly describes, in the context of the loan, TWO of past, present and future • describes faithful representation in context of loan agreement • non-current liability is due to be repaid beyond the accounting period in 2020 and, therefore, is not current.
	A4	<p>THREE of:</p> <ul style="list-style-type: none"> • describes the purpose of the income statement in context (Healthy Greens) • describes comparability in context (R/E/P) of the income statements for <i>Healthy Greens</i>

		<ul style="list-style-type: none"> correctly describes, in the context of the loan, TWO of past, present, and future describes faithful representation in context of loan agreement non-current liability is due to be repaid beyond the accounting period in 2020 and, therefore, is not current.
Merit	M5	<p>Explains TWO of:</p> <ul style="list-style-type: none"> how the reporting period concept has been applied to <i>Healthy Greens</i> how the qualitative characteristic of comparability has been applied to <i>Healthy Greens</i> using dollar figures from the Income Statement summary and how the bank manager can use this information why the loan meets the past, present, and future definition requirements of a liability faithful representation in the context of the statement of financial position / loan why the loan is a non-current liability (the \$20 000 loan will not be repaid in full until 2020 and this is stated on the loan agreement).
	M6	<p>Explains THREE of:</p> <ul style="list-style-type: none"> how the reporting period concept has been applied to <i>Healthy Greens</i> how the qualitative characteristic of comparability has been applied to <i>Healthy Greens</i> using dollar figures from the Income Statement summary and how the bank manager can use this information (<i>profit increasing can – ability to pay back the loan</i>) why the loan meets the past, present, and future definition requirements of a liability faithful representation in the context of the statement of financial position / loan why the loan is a non-current liability (the \$20 000 loan will not be repaid in full until 2020 and this is stated on the loan agreement).
Excellence	E7	<p>Justifies ONE of:</p> <ul style="list-style-type: none"> how the reporting period concept has been applied to <i>Healthy Greens</i> AND how the qualitative characteristic of comparability has been applied to <i>Healthy Greens</i> using dollar figures from the Income Statement summary and how the bank manager can use this information why the loan meets the past, present, and future definition requirements of a liability AND explains faithful representation in the context of the statement of financial position / loan AND why the loan is a non-current liability (the \$20 000 loan will not be repaid in full until 2020 and this is stated on the loan agreement).
	E8	<p>Justifies BOTH of:</p> <ul style="list-style-type: none"> how the reporting period concept has been applied to <i>Healthy Greens</i> AND how the qualitative characteristic of comparability has been applied to <i>Healthy Greens</i> using dollar figures from the Income Statement summary and how the bank manager can use this information why the loan meets the past, present, and future definition requirements of a liability AND explains faithful representation in the context of the statement of financial position / loan AND why the loan is a non-current liability (the \$20 000 loan will not be repaid in full until 2020 and this is stated on the loan agreement).

Question	Evidence
<p>TWO (a)</p>	<p>Accounts receivable is an asset because it will have resulted from a past transaction when <i>Healthy Greens</i> sold salad greens to customers on credit. <i>Healthy Greens</i> has present control of the accounts receivable, as they have a legal right to the amount owed by the customer for the salad greens sold on credit. When the account is settled by the due date, there will be a future economic benefit when <i>Healthy Greens</i> bank account increases when receiving the full settlement from its credit customers. The amount that will flow to <i>Healthy Greens</i> can be measured reliably by the invoice originally issued to the customer for the credit sales.</p>
<p>(b)</p>	<p>Doubtful debts is an expense, as it will decrease the economic benefits of <i>Healthy Greens</i> as the increase in the allowance made for doubtful debts will decrease the value of the asset, accounts receivable. Doubtful debts will decrease profit in the Income Statement and, therefore, decrease equity, which is not drawings by Maia the owner. The accounts receivable will be reported less the allowance for doubtful debts of 2% in the Statement of Financial Position, as this is relevant to decision making. The amount represented by this is relevant because it more accurately predicts the future economic benefit that will be received by <i>Healthy Greens</i>, i.e. the cash that will be received as 2% is unlikely to be collected.</p>

<p>Not Achieved</p>	<p>N0 = No response; no relevant evidence</p>	
	<p>N1</p>	<p>TWO of:</p> <ul style="list-style-type: none"> • identifies two of past, present, future of asset definition • partial definition of reliable measure • two of decrease in assets, decrease in equity, not drawings by the owner • partial definition of relevance • describes how accounts receivable will be reported.
<p>Achievement</p>	<p>A3</p>	<p>TWO of:</p> <ul style="list-style-type: none"> • describes two of past, present, future in context of accounts receivable asset definition • describes definition of reliable measure in context of source document for accounts receivable • describes two of decrease in assets (accounts receivable), decrease in equity (profit), not drawings by the owner in context (Maia) • describes definition of relevance <i>in terms of decision making or predictability</i> • describes how accounts receivable will be reported.
	<p>A4</p>	<p>THREE of:</p> <ul style="list-style-type: none"> • describes two of past, present, future in context of accounts receivable asset definition • describes definition of reliable measure in context of source document for accounts receivable • describes two of decrease in assets (accounts receivable), decrease in equity (profit), not drawings by the owner in context (Maia) • describes definition of relevance <i>in terms of decision making or predictability</i> • describes how accounts receivable will be reported.

Merit	M5	<p>Explains TWO of:</p> <ul style="list-style-type: none"> • all parts of accounts receivable as it relates to the characteristics of an asset • reference to invoice being the reliable measure • explains all parts of an expense, decrease in asset, accounts receivable, decrease in equity from decrease in profit and not drawings by Maia • explains why accounts receivable decreases • explains the application of relevance in the reporting of accounts receivable in Statement of Financial Position.
	M6	<p>Explains THREE of:</p> <ul style="list-style-type: none"> • all parts of accounts receivable as it relates to the characteristics of an asset • reference to invoice being the reliable measure • explains all parts of an expense, decrease in asset, accounts receivable, decrease in equity from decrease in profit and not drawings by Maia • explains why accounts receivable decreases • explains the application of relevance in the reporting of accounts receivable in Statement of Financial Position.
Excellence	E7	<p>Justifies ONE of:</p> <ul style="list-style-type: none"> • all parts of accounts receivable as it relates to the characteristics of an asset AND reference to invoice being the reliable measure • explains all parts of an expense, decrease in asset, accounts receivable, decrease in equity from decrease in profit and not drawings by Maia <p>AND</p> <p>explains the application of relevance in the reporting of accounts receivable in Statement of Financial Position.</p>
	E8	<p>Justifies BOTH of:</p> <ul style="list-style-type: none"> • all parts of accounts receivable as it relates to the characteristics of an asset AND reference to invoice being the reliable measure • explains all parts of an expense, decrease in asset, accounts receivable, decrease in equity from decrease in profit and not drawings by Maia <p>AND</p> <p>explains the application of relevance in the reporting of accounts receivable in Statement of Financial Position.</p>

Question	Evidence
<p>THREE (a)</p>	<p>The diesel fuel of \$200 is revenue expenditure for <i>Healthy Greens</i>, as it is a day-to-day expense that will benefit the firm for the current year and will therefore be a vehicle / diesel / fuel expense (and classified as vehicle expenses) in the Income Statement for <i>Healthy Greens</i>. The \$50 diesel fuel used for Maia's personal trip to Greymouth will be reported as drawings in the Statement of Financial Position for <i>Healthy Greens</i>, as it is for personal use and, therefore, should be reported separately in order to keep the financial affairs of Maia, the owner, separate from the financial affairs of <i>Healthy Greens</i> and thus follow the accounting entity concept.</p>
<p>(b)</p>	<p>The salad greens will be reported in the Income Statement for <i>Healthy Greens</i> by increasing (salad green) sales by \$30.00 to recognise that this is income for the period (i.e. it is earned in the current period) ended 31 March 2015. The \$34.50 will be reported as the current asset accounts receivable in the Statement of Financial Position on balance day to recognise the future economic benefit of cash into <i>Healthy Greens</i> bank account when the account is settled by Three Brothers Hotel. The current liability, GST (payable) for \$4.50 will also be reported in the Statement of Financial Position to recognise the future outflow of resources which <i>Healthy Greens</i> will be obliged to pay from their bank account to the Inland Revenue Department.</p>

<p>Not Achieved</p>	<p>N0 = No response; no relevant evidence</p>	
	<p>N1</p>	<p>ONE of:</p> <ul style="list-style-type: none"> • partial definition of revenue expenditure • partial definition of entity concept • partial definition of accrual basis concept.
	<p>N2</p>	<p>TWO of:</p> <ul style="list-style-type: none"> • partial definition of revenue expenditure • partial definition of entity concept • partial definition of accrual basis concept.
<p>Achievement</p>	<p>A3</p>	<p>TWO of:</p> <ul style="list-style-type: none"> • describes revenue expenditure in context • describes entity concept in context of diesel fuel • describes accrual basis concept in context of the Income Statement for <i>Healthy Greens – Sales Increases</i> • describes accrual basis concept in context of the Statement of Financial Position for <i>Healthy Greens – Accounts Receivable Increases</i> • describes accrual basis concept in context of the Statement of Financial Position for <i>Healthy Greens – GST Payable Increases</i>
	<p>A4</p>	<p>THREE of:</p> <ul style="list-style-type: none"> • describes revenue expenditure in context • describes entity concept in context of diesel fuel • describes accrual basis concept in context of the Income Statement for <i>Healthy Greens – Sales Increases</i> • describes accrual basis concept in context of the Statement of Financial Position for <i>Healthy Greens – Accounts Receivable increases</i> • describes accrual basis concept in context of the Statement of Financial Position for <i>Healthy Greens – GST Payable Increases</i>

Merit	M5	<p>Explains TWO of:</p> <ul style="list-style-type: none"> • the diesel fuel is revenue expenditure and reported as an expense in the income statement • correctly explains entity notion as it relates to <i>Healthy Greens</i>, making it clear that the diesel fuel used by Maia for the trip to Greymouth must be kept separate, and is, therefore, reported as drawings in the Statement of Financial Position • the accrual basis is applied to the Income Statement with a clear explanation that the salad green sales will increase by \$30, because <i>Healthy Greens</i> has earned the sales / belongs to this accounting period • the accrual basis is applied to the Statement of Financial Position with a clear explanation that Accounts Receivable will increase by \$34.50 to recognise that future economic benefit will be received in the future when the account is settled • GST payable will increase by \$4.50 to recognise the current obligation that <i>Healthy Greens</i> will have as they have earned the money.
	M6	<p>Explains THREE of:</p> <ul style="list-style-type: none"> • the diesel fuel is revenue expenditure and reported as an expense in the income statement • correctly explains entity notion as it relates to <i>Healthy Greens</i>, making it clear that the diesel fuel used by Maia for the trip to Greymouth must be kept separate, and is, therefore, reported as drawings in the Statement of Financial Position • the accrual basis is applied to the Income Statement with a clear explanation that the salad green sales will increase by \$30, because <i>Healthy Greens</i> has earned the sales / belongs to this accounting period • the accrual basis is applied to the Statement of Financial Position with a clear explanation that Accounts Receivable will increase by \$34.50 to recognise that future economic benefit will be received in the future when the account is settled • GST payable will increase by \$4.50 to recognise the current obligation that <i>Healthy Greens</i> will have as they have earned the money.

<p>Excellence</p>	<p>E7</p>	<p>Justifies ONE of:</p> <ul style="list-style-type: none"> • the diesel fuel is revenue expenditure and reported as an expense in the Income Statement AND correctly explains entity notion as it relates to <i>Healthy Greens</i>, making it clear that the diesel fuel used by Maia for her trip to Greymouth must be kept separate, and is therefore reported as drawings in the Statement of Financial Position • the accrual basis is applied to the Income Statement with a clear explanation that the salad green sales will increase by \$30, because <i>Healthy Greens</i> has earned the sales/belongs to this accounting period AND the accrual basis is applied to the Statement of Financial Position with a clear explanation that Accounts Receivable by \$34.50 will increase to recognise that future economic benefit will be received in the future when the account is settled AND GST payable by \$4.50 will increase to recognise the current obligation that <i>Healthy Greens</i> will have as they have earned the money.
	<p>E8</p>	<p>Justifies BOTH of:</p> <ul style="list-style-type: none"> • the diesel fuel is revenue expenditure and reported as an expense in the Income Statement AND correctly explains entity notion as it relates to <i>Healthy Greens</i>, making it clear that the diesel fuel used by Maia for her trip to Greymouth must be kept separate, and is therefore reported as drawings in the Statement of Financial Position • the accrual basis is applied to the Income Statement with a clear explanation that the salad green sales will increase by \$30, because <i>Healthy Greens</i> has earned the sales/belongs to this accounting period AND the accrual basis is applied to the Statement of Financial Position with a clear explanation that Accounts Receivable by \$34.50 will increase to recognise that future economic benefit will be received in the future when the account is settled AND GST payable by \$4.50 will increase to recognise the current obligation that <i>Healthy Greens</i> will have as they have earned the money.

Cut Scores

Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
0 – 6	7 – 13	14 – 18	19 – 24