

Assessment Schedule – 2018

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

Assessment Criteria

Achievement	Achievement with Merit	Achievement with Excellence
<i>Demonstrate understanding</i> involves describing accounting concepts in relation to the entity.	<i>Demonstrate in-depth understanding</i> involves explaining accounting concepts in relation to the entity and its financial elements.	<i>Demonstrate comprehensive understanding</i> involves justifying accounting concepts by showing links between concepts, characteristics, and financial element recognition in relation to the entity.

Evidence

Question ONE	Evidence
(a)	The Statement of Accounting Policies informs users of the financial statements of the measurement bases used for reporting assets, liabilities, expenses, and incomes. It is important that users know how assets are measured so they can understand the numbers reported for assets in the financial statements. For example, when Max looks at his Statement of Financial Position, he needs to know that the investments (and other assets) are stated at their cost to the business, not their market value, as this will make a difference to how he understands his Statement of Financial Position.
(b)	<p><u>Historical cost:</u></p> <p>The Shares in <i>Mercury Limited</i> are reported at their \$12 000 purchase cost to <i>Awa Motel</i> in the Statement of Financial Position.</p> <p><u>Resource controlled:</u></p> <p>The Shares in <i>Mercury Limited</i> are owned by <i>Awa Motel</i>, and only <i>Awa Motel</i> can sell the shares to realise their capital gain (\$3 840) or receive dividends from the shares; no one else / no other business is entitled to the funds from the sale of the shares / dividends received from the shares.</p> <p><u>Current market value:</u></p> <p>Max wants to sell the shares to help fund the upgrade to the motel bathrooms. The current market value tells Max the amount he will receive: \$15 840 if he sells the shares, much more than the \$12 000 they cost. The \$15 840, not the \$12 000, will help Max make a decision about how much he can spend on upgrading the bathrooms / whether he can afford to upgrade all the bathrooms / whether he can afford a superior upgrade.</p>

Accounting concepts to consider:

- purpose of Statement of Accounting Policies
- historical cost
- asset definition extract – present control
- relevance.

Not Achieved	<p>N0 = No response; no relevant evidence</p> <p>N1 describes /explains one accounting concept without reference to context</p> <p>N2 describes /explains two accounting concepts without reference to context OR describes one accounting concept in context</p>
Achievement	<p>A3 describes TWO accounting concepts in context /explains one accounting concept in context (breadth or depth)</p> <p>A4 describes THREE accounting concepts in context /describes one accounting concept in context, plus explains one accounting concept in context</p>
Merit	<p>M5 explains TWO accounting concepts in context</p> <p>M6 explains THREE accounting concepts in context</p>
Excellence	<p>E7 justifies the link between historical cost and relevance accounting concepts in context, including reference to the different figures</p> <p>E8 justifies the link between historical cost and relevance accounting concepts in context, including reference to different figures, AND justifies present control allows Max to use the share sale for sole benefit of <i>Awa Motel</i></p>

Question TWO	Evidence
(a)	<p><u>Entity concept linked to Expense definition extract:</u></p> <p>The costs of providing free accommodation to Pam are reported as drawings to keep Max's personal use of the business assets – motel rooms and breakfast supplies – separate from <i>Awa Motel's</i> expenses related to sales of rooms and breakfasts.</p> <p>The breakfast supplies used, cleaners wages, and cleaning supplies used for Pam's room are a distribution of benefit to Max, the owner, so they cannot be reported as an expense by the part of the expense definition, which states that an expense is not a distribution to owners.</p>
(b)	<p>Comparability</p> <p><u>Purpose of separate profits:</u></p> <p>Max wants to determine separately the profits from breakfast sales because he wants to see if they are decreasing over time. If breakfast sales and expenses were included with motel sales and expenses, then Max would not be able to see if the breakfasts are less profitable over time.</p> <p><u>Importance of comparability:</u></p> <p>Comparability of profits from breakfast sales will allow Max to determine whether or not he should continue to offer breakfast when most of his regular customers do not even want a breakfast. The service may be costing <i>Awa Motel</i>// Max more than what it is worth / profits may not be sufficient to justify keeping breakfast service.</p> <p><u>Ensuring profits are comparable:</u></p> <p>Reporting the cost of free breakfasts as drawings ensures that the profit reported from breakfast sales is the profit received from selling breakfasts to guests. If the cost of free breakfasts were included as an expense, then profit would not be comparable from one year to the next, or even with another local motel that also offers breakfast.</p>

Accounting concepts to consider:

- entity linked to expense definition extract
- purpose of determining profits (equivalent purpose of preparing Income Statement)
- comparability – importance
- comparability – ensuring information is comparable.

Not Achieved	<p>N0 = No response; no relevant evidence</p> <p>N1 describes / explains one accounting concept without reference to context</p> <p>N2 describes / explains two accounting concepts without reference to context OR describes one accounting concept in context</p>
Achievement	<p>A3 describes TWO accounting concepts in context / explains one accounting concept in context (breadth or depth)</p> <p>A4 describes THREE accounting concepts in context / describes one accounting concept in context, plus explains one accounting concept in context</p>
Merit	<p>M5 explains TWO accounting concepts in context</p> <p>M6 explains THREE accounting concepts in context</p>
Excellence	<p>E7 EITHER justifies the link between entity and expenses in context and explains comparability in context OR justifies the link between ensuring information is comparable and why comparable information is important in context, and explains drawings in context</p> <p>E8 justifies the link between entity and expenses in context AND justifies the link between ensuring information is comparable and why comparable information is important in context</p>

Question THREE	Evidence
(a)	<p><u>Present obligation:</u></p> <p>Motel room sales received in advance [\$25 000 (excluding GST)] require <i>Awa Motel/ Max</i> to provide the guests with the motel room they have paid for in the future. This is a present obligation to provide guests with a service (use of the motel room) to settle the obligation or money is needed to be refunded if guests cancel this booking.</p> <p><u>Probable aspect of liability recognition criteria:</u></p> <p>It is probable / more likely than not that guests who have paid for their accommodation in advance, particularly regular guests who have paid in full, will actually come to stay at the motel on the date(s) they have paid for, meaning that it is probable / more likely than not that <i>Awa Motel/ Max</i> will have to provide the room to the guest – the probable aspect could be linked to the amount \$25 000 / \$28 750 is significant and guests won't be wanting to lose their money / have paid a lot for the rooms so are likely to come to stay at <i>Awa Motel</i>, meaning that <i>Awa Motel</i> will have to provide the service.</p> <p><u>Current liability:</u></p> <p>The room sales received in advance [\$25 000 (excluding GST)] are a current liability because the motel service they have paid for will be provided in the next year, since guests can book only one year in advance. This means that all room sales received in advance will be settled within one year of balance day, making this a current liability, not a non-current liability that would take more than one year to settle / pay off.</p> <p>Note: Figures were not asked for but if used, ignore GST errors because GST is not assessed in this standard.</p>
(b)	<p><u>Expense definition:</u></p> <p>Breakfast supplies inventory written down of \$500 is an expense of <i>Awa Motel</i> because it represents a depletion of the inventory – breakfast supplies asset is decreased by \$500. It will increase the cost of breakfast supplies sold by \$500 (or create an expense inventory write-down \$500), which will result in a decrease in profit for the year and, therefore, a decrease in equity. The write down of inventory is not a distribution to the owner, Max.</p> <p><u>Reliable aspect of expense recognition criteria:</u></p> <p>There is a reliable measure of the breakfast supplies written down because the cereal would have been purchased in the past and cost \$500 – <i>Awa Motel</i> would have an invoice / receipt from the supplier for the purchase showing the cost of \$500, which means the amount is reliable.</p>

Accounting concepts to consider:

- present obligation
- probable part of recognition for liability
- current liability
- expense definition
- reliable measure of expense.

Not Achieved	<p>N0 = No response; no relevant evidence</p> <p>N1 describes /explains one accounting concept without reference to context</p> <p>N2 describes /explains two accounting concepts without reference to context OR describes one accounting concept in context</p>
Achievement	<p>A3 describes TWO accounting concepts in context /explains one accounting concept in context (breadth or depth)</p> <p>A4 describes THREE accounting concepts in context /describes one accounting concept in context, plus explains one accounting concept in context</p>
Merit	<p>M5 explains TWO accounting concepts in context</p> <p>M6 explains THREE accounting concepts in context</p>
Excellence	<p>E7 EITHER justifies the room sales in context with reference to all components of the question and explains breakfast supplies in context OR justifies the breakfast supplies in context with reference to all components of the question and explains the room sales in context</p> <p>E8 justifies the room sales in context with reference to all components of the question AND justifies the breakfast supplies in context with reference to all components of the question</p>

Cut scores

Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
0 – 7	8 – 13	14 – 18	19 – 24