

Assessment Schedule – 2019**Accounting: Demonstrate understanding of accounting concepts for small entities (90976)****Evidence**

Question ONE	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
(a)	A financial accountant prepares financial information, gives financial advice, helps with decision-making for <i>Cycle Supreme</i> .	Describes financial accountant.		
(b)	The Cash Budget will include all estimated cash receipts and estimated cash payments for <i>Cycle Supreme</i> . It will help <i>Cycle Supreme</i> estimate what change there will be to its bank balance.	Describes purpose of cash budget.		
(c)	Period reporting requires <i>Cycle Supreme</i> to prepare its financial statements for the same period of time so that comparison can be made. Preparing a Cash Budget each month means the budget is always for the same length of time. This allows <i>Cycle Supreme</i> to compare the estimated cash receipts / payment / bank balance for this month against the previous month / cash flow / actual results. This is in line with period reporting, as the cash budget is being prepared for the same length of time, one month.	Describes period reporting.	Explains period reporting in relation to <i>Cycle Supreme</i> Cash Budget.	Applies period reporting to <i>Cycle Supreme</i> Cash Budget and links to comparison.
(d)	Bike repair fees are income for <i>Cycle Supreme</i> because customers will pay <i>Cycle Supreme</i> to repair their bikes and tyres, which increases the asset bank. The bike repair fees increase the profit of <i>Cycle Supreme</i> , which increases the equity. The bike repair fees are not a contribution from Chris, the owner.	Describes income.	Explains why the bike repair fees are income for <i>Cycle Supreme</i> .	Applies why the bike repair fees are income for <i>Cycle Supreme</i> .
(e)	The accounting entity concept requires the personal financial affairs of Chris, the owner, to be kept separate from the financial affairs of <i>Cycle Supreme</i> , the business. The \$850 for the bike will be reported in the Statement of Financial Position for <i>Cycle Supreme</i> as drawings. This is because the bike is a personal expense of Chris, the owner, and not of <i>Cycle Supreme</i> .	Describes accounting entity.	Explains accounting entity in relation to the bike drawings.	Applies accounting entity in relation to the \$850 bike drawings and how it is reported.

N1	N2	A3	A4	M5	M6	E7	E8
ONE point (of five)	TWO points (of five)	THREE points (of five) at Achievement level	FOUR points (of five) at Achievement level	TWO explanations (of three) at Merit level	THREE explanations (of three) at Merit level	TWO applications (of three) at Excellence level	THREE applications (of three) at Excellence level

N0 = No response; no relevant evidence.

Question TWO	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
(a)	Bank, inventory, prepayments, shop fittings.	Identifies three assets.		
(b)	If <i>Cycle Supreme</i> is unable to meet its debts, then Chris's personal assets can be required to be used to pay the debts.	Describes unlimited liability.	Explains unlimited liability in relation to <i>Cycle Supreme</i> and Chris.	
(c)(i)	<i>Cycle Supreme</i> will report the new repair tools as an asset in the Statement of Financial Position at \$14 500, as this was the amount paid by <i>Cycle Supreme</i> when it bought the tools. This follows historical cost, as the asset is being reported at its original purchase price.	Describes historical cost.	Explains historical cost in relation to reporting the repair tools in the financial statements for <i>Cycle Supreme</i> .	Applies historical cost in relation to reporting the repair tools at \$14 500 in the financial statements for <i>Cycle Supreme</i> .
(c)(ii)	The tools will require ongoing maintenance to ensure they are in good condition to be used to provide repair services. This will be a recurring expense that decreases this year's profit / does not benefit beyond the current year, and therefore would be considered revenue expenditure.	Describes revenue expenditure.	Explains why maintenance is revenue expenditure for <i>Cycle Supreme</i> .	Applies why maintenance is revenue expenditure for <i>Cycle Supreme</i> .
(d)	<i>Cycle Supreme</i> controls the use of the building and have exclusive use of it to run its shop and repairs from (control). <i>Cycle Supreme</i> will use the building to sell bikes and provide a repairs service, which customers will pay cash for, increasing the asset of bank (future economic benefit). <i>Cycle Supreme</i> purchased the building in 2009 (past transaction).	Describes asset.	Explains why the building is an asset for <i>Cycle Supreme</i> .	Applies why the building is an asset for <i>Cycle Supreme</i> .

N1	N2	A3	A4	M5	M6	E7	E8
ONE point (of five)	TWO points (of five)	THREE points (of five) at Achievement level	FOUR points (of five) at Achievement level	TWO explanations (of four) at Merit level	THREE explanations (of four) at Merit level	TWO applications (of three) at Excellence level	THREE applications (of three) at Excellence level

N0 = No response; no relevant evidence.

Question THREE	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
(a)	Assets – Equity = Liabilities 3 800 + 7 600 + 84 000 + 1 000 + 12 700 + 4 400 + 45 900 – 94 000 = \$65 400	Calculates liabilities.		
(b)	Bank decrease \$350 Wages increase \$350	Identifies bank decrease. Identifies wages increase.		
(c)	<i>Cycle Supreme</i> has an obligation to repay the mortgage, as it signed a loan agreement (present obligation). <i>Cycle Supreme</i> will need to give up cash over the next 10 years / until 2029 in order to repay the mortgage, which will decrease the asset of bank (future economic sacrifice). <i>Cycle Supreme</i> took out the mortgage in the past to purchase the building / shop (past transaction).	Describes liabilities.	Explains why the mortgage is a liability for <i>Cycle Supreme</i> .	Applies why the mortgage is a liability for <i>Cycle Supreme</i> .
(d)	The mortgage will be reported as a non-current liability in the Statement of Financial Position for <i>Cycle Supreme</i> , as it is expected to be repaid over the next 10 years. For this reason, it is assumed that <i>Cycle Supreme</i> will continue to operate for the next 10 years to be able to repay the mortgage. This is in line with the going concern concept, where it is assumed that the business will continue to operate into the foreseeable future.	Describes going concern	Explains going concern in relation to the 10-year mortgage for <i>Cycle Supreme</i> .	Applies going concern in relation to the 10-year mortgage for <i>Cycle Supreme</i> .
(e)	The accrual basis states we must report transactions in the financial statements for the period to which they relate. The \$950 interest on mortgage owed on balance day relates to the current financial period and must be added to the interest on mortgage expense before being reported in the Income Statement of <i>Cycle Supreme</i> for the year ended 31 March 2019. Even though the interest will be paid next period, the expense decreases this year's profit.	Describes accrual accounting for interest on mortgage.	Explains accrual accounting in relation to the Income Statement and interest on mortgage increase.	Applies accrual accounting in relation to the Income Statement and interest on mortgage, discussing financial periods.

N1	N2	A3	A4	M5	M6	E7	E8
ONE points (of six).	TWO points (of six).	THREE points (of six) at Achievement level.	FOUR points (of six) at Achievement level.	TWO explanations (of three) at Merit level.	THREE explanations (of three) at Merit level.	TWO applications (of three) at Excellence level.	THREE applications (of three) at Excellence level.

N0 = No response; no relevant evidence.

Cut Scores

Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
0 – 7	8 – 14	15 – 20	21 – 24