

Assessment Schedule – 2020**Accounting: Demonstrate understanding of accounting concepts for small entities (90976)****Evidence**

Question ONE	Sample evidence	Achievement	Achievement with Merit	Achievement with Excellence
(a)	Accounts payable, bank overdraft, GST payable, loan.	Identifies three liabilities.		
(b) (i)	The Income Statement for <i>FFV</i> shows the income and expenses for the year and shows whether <i>FFV</i> has made a profit or a loss.	Describes Income Statement.		
(ii)	Frankie could use the Income Statement to see what is happening to <i>FFV</i> 's profit. For example, if the profit is falling, Frankie could look at how to increase income or decrease expenses in order to improve profit.		Explains how Frankie can use the Income Statement to make a decision for <i>FFV</i> .	
(c)	Sales will increase profit and therefore increase equity for <i>FFV</i> . When the sales of the fruit and preserves / jam are received, it will increase the asset of bank for <i>FFV</i> . The sales are received from customers and not a contribution from Frankie, the owner.	Describes income.	Explains why the sales are income for <i>FFV</i> .	Applies why the sales are income for <i>FFV</i> .
(d)	The accrual basis states we must report transactions in the financial statements for the period to which they relate. The \$550 insurance paid for next year will decrease the insurance expense in this year's Income Statement for <i>FFV</i> . It will decrease because the insurance relates to next year. The \$550 insurance paid in advance will bring benefit to <i>FFV</i> in the next accounting period in the form of insurance cover. It will be a prepayment and classified as a current asset of \$550 in the Statement of Financial Position for <i>FFV</i> , as <i>FFV</i> will have the benefit of insurance cover next year.	Describes accrual accounting for insurance.	Explains accrual accounting in relation to the Income Statement and insurance for <i>FFV</i> .	Applies accrual accounting in relation to the Income Statement and insurance for <i>FFV</i> .
		Describes accrual accounting for prepayments.	Explains accrual accounting in relation to the Statement of Financial Position and prepayments for <i>FFV</i> .	Applies accrual accounting in relation to the Statement of Financial Position for prepayments for <i>FFV</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 TWO	Sample Evidence	Achievement	Achievement with Merit	Achievement with Excellence																												
(a)	An auditor will check the financial statements for <i>FFV</i> to see if they show a true and fair view of the business activities.	Describes auditor.																														
(b)	<table border="1"> <thead> <tr> <th></th> <th>Bank</th> <th>PPE</th> <th>Expenses</th> <th>Loan</th> <th>Equity</th> <th>Income</th> </tr> </thead> <tbody> <tr> <td>(1)</td> <td>- 450</td> <td></td> <td>+ 450</td> <td></td> <td></td> <td></td> </tr> <tr> <td>(2)</td> <td>+ 1 000</td> <td></td> <td></td> <td></td> <td></td> <td>+ 1 000</td> </tr> <tr> <td>(3)</td> <td>- 800</td> <td></td> <td>+ 120</td> <td>- 680</td> <td></td> <td></td> </tr> </tbody> </table>		Bank	PPE	Expenses	Loan	Equity	Income	(1)	- 450		+ 450				(2)	+ 1 000					+ 1 000	(3)	- 800		+ 120	- 680			(1) or (2) correct.	(3) correct.	
	Bank	PPE	Expenses	Loan	Equity	Income																										
(1)	- 450		+ 450																													
(2)	+ 1 000					+ 1 000																										
(3)	- 800		+ 120	- 680																												
(c)	<p>Loan is a liability for <i>FFV</i> as it is obliged to repay it before 2024 due to the loan contract.</p> <p>When <i>FFV</i> repay the loan, it will give up cash, which decreases the asset of bank.</p> <p>The loan was taken out by <i>FFV</i> in the past.</p>	Describes liability.	Explains why the loan is a liability for <i>FFV</i> .	Applies why the loan is a liability for <i>FFV</i> .																												
(d)	<p>The accounting entity concept requires the personal financial affairs of Frankie, the owner, to be kept separate from the financial affairs of <i>FFV</i>, the business.</p> <p>The jam products taken for friends and family will be reported in the Statement of Financial Position for <i>FFV</i> as Drawings \$75. This is because the jam is a personal expense of Frankie, the owner, and not of <i>FFV</i>.</p>	Describes accounting entity.	Explains accounting entity in relation to the drawings of the jam for <i>FFV</i> .	Applies accounting entity in relation to the \$75 jam drawings and how it is reported in the Statement of Financial Position for <i>FFV</i> .																												
(e)	<p>Advertising will decrease profit and therefore decrease equity for <i>FFV</i>.</p> <p>When the advertising is paid, it will decrease the asset of bank for <i>FFV</i>.</p> <p>Advertising is paid to the advertising company and not taken as drawings by Frankie.</p>	Describes expense.	Explains why the advertising is an expense for <i>FFV</i> .	Applies why the advertising is an expense for <i>FFV</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	Sample Evidence	Achievement	Achievement with Merit	Achievement with Excellence
(a)	Assets – Liability = Equity (84 000 + 16 000 + 4 700 + 7 000) – (1 950 + 2 400 + 2 760 + 40 000) = 64 590	Calculates equity.		
(b)	If <i>FFV</i> gets into financial difficulty and is unable to pay its debts, Frankie's personal assets can be sold to pay the debts.	Describes unlimited liability.	Describes unlimited liability in relation to Frankie and <i>FFV</i> .	
(c)	Monetary measurement means that all transactions must be reported in terms of a common unit, for <i>FFV</i> this is \$NZ. The new equipment will need to be converted from €5 000 into NZ\$8 400 before reporting in the Statement of Financial Position as an asset.	Describes monetary measurement.	Explains monetary measurement in relation to the equipment for <i>FFV</i> .	Applies monetary measurement in relation to the equipment for <i>FFV</i> .
(d)	Capital expenditure is spending that creates an asset or extends the useful life of the asset. It will benefit the business beyond the current year. Buying the new equipment creates an asset for <i>FFV</i> . <i>FFV</i> will continue to use the equipment to make jam beyond the current year, enabling it to earn an income.	Describes capital expenditure.	Explains capital expenditure in relation to the equipment for <i>FFV</i> .	Applies capital expenditure in relation to the equipment for <i>FFV</i> .
(e)	Depreciation is the loss of future benefit of an asset over its useful life. We spread the cost of the asset over its useful life. The \$8 400 cost of the equipment should be spread over the equipment's useful life, so the equipment will be depreciated by \$1 200 each year.	Describes depreciation.	Explains how and why we depreciate in relation to the equipment for <i>FFV</i> .	Applies how and why we depreciate in relation to the equipment for <i>FFV</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.

Cut Scores

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