

Assessment Schedule – 2024

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

Evidence

| Question ONE | Sample Evidence |
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| (a) | <p>The new gym equipment will be reported as a non-current asset in the Statement of Financial Position for <i>Get Active Gym</i>. It will be reported at \$19 000 as property, plant, and equipment, non-current asset.</p> <p>This is because of the concept of capital expenditure. Capital expenditure is spending that will impact <i>Get Active Gym</i> beyond the current accounting period, and it tends to be one-off in nature.</p> <p><i>Get Active Gym</i> will purchase equipment every few years, so it is not a direct influence on this year’s profit, unlike insurance. The capital expenditure concept requires spending on the asset – including the cost of purchase, delivery, and installation and getting the asset ready to use – to be the cost of the asset. This is why the new gym equipment will be reported at \$19 000 cost in the <i>Get Active Gym</i> Statement of Financial Position as at 31 March 2024.</p> |
| (b) | <p>The invoice from <i>Exercise Supplies Ltd</i> creates the liability accounts payable for <i>Get Active Gym</i>, increasing the current liabilities.</p> <p>The accounts payable are increased / created when <i>Get Active Gym</i> purchased the servicing on credit, which creates an obligation for <i>Get Active Gym</i> to repay the accounts payable as it will have signed an agreement or made a verbal agreement to pay when it arranged the credit service.</p> <p><i>Get Active Gym</i> will need to give up \$920 cash to pay the accounts payable, which will decrease their asset of bank. The accounts payable is the result of <i>Get Active Gym</i> getting its gym equipment serviced and maintained in February, which is now in the past.</p> <p>It is more likely than not that <i>Get Active Gym</i> will repay the accounts payable to <i>Exercise Supplies Ltd</i> as it will want to maintain a positive relationship as the servicing is a regular requirement / happens every three months and <i>Get Active Gym</i> will use it again in the future.</p> |

| N1 | N2 | A3 | A4 | M5 | M6 | E7 | E8 |
|-----------------------------------|-------------------|---|--|--|--|---|--|
| With no context reference: | | With some context reference describes: | | With clear context reference explains: | | Integrates context in explanations: | |
| ONE description. | TWO descriptions. | THREE of five: <ul style="list-style-type: none"> • correct figure • non-current / PPE asset • capital expenditure described • liability (2 / 3 criteria) • probable outflow of money. | FOUR of five: <ul style="list-style-type: none"> • correct figure • non-current / PPE asset • capital expenditure described • liability (2 / 3 criteria) • probable outflow of money. | TWO of four: <ul style="list-style-type: none"> • reporting in statement of financial position • capital expenditure • liability • probable outflow \$920. | THREE of four: <ul style="list-style-type: none"> • reporting in statement of financial position • capital expenditure • liability • probable outflow \$920. | TWO of three: <ul style="list-style-type: none"> • capital expenditure • liability • probable outflow. | All THREE: <ul style="list-style-type: none"> • capital expenditure • liability • probable outflow. |

N0 = No response; no relevant evidence

| Question TWO | Evidence |
|-----------------|--|
| (a) | <p>Note to panel leader:</p> <p>The purpose of this question is to assess knowledge of the concepts. If the candidate mixes up inclusive and exclusive GST or makes incorrect calculations do not adjust their grade. Possibly for Excellence?</p> <p>Materiality requires information that will influence decision-making to be reported. If information that is omitted or misstated could influence decision making of <i>Get Active Gym's</i> users', then it is material. This is based on the nature / importance of the item or its size / value.</p> <p>Responses may include, but are not limited to:</p> <p>Negative impact:</p> <p>Having the one total for membership fees received in <i>Get Active Gym's</i> Income Statement does negatively influence decisions being made by Georgie. The payment option chosen could significantly influence the amount of money received / earned by <i>Get Active Gym</i>.</p> <p>For example:</p> <ul style="list-style-type: none"> • if 10 members paid in full, the income would be \$7 560, whereas if they join paying monthly the income would be \$8 400, which is \$840 more – this is a lot, and this is only 10 members • if most of the members are paying annually to take advantage of the discount, this will materially influence the amount / size / value of fees expected to be earned by <i>Get Active Gym</i>. This is because it will be earning a lot / significant amount less than expected when compared to the number of members and the individual membership price based on \$70 / month. <p>Not a negative impact:</p> <p>Having the one total for membership fees received in <i>Get Active Gym's</i> Income Statement does not negatively impact decisions made by Georgie. It doesn't matter which payment option the member chooses to pay membership fees: it is the total dollar amount earned that is important for decisions.</p> <p>For example:</p> <ul style="list-style-type: none"> • it is good to report all the membership fees received as one total in the Income Statement. The decisions about how to improve revenue or profit for <i>Get Active Gym</i> will be based on the total fees received, not how the member paid. The payment method used is immaterial. • the information regarding how many members are paying by each method will still be in the records of <i>Get Active Gym</i> so Georgie can access this information should she need it. Most of the decisions will be based on total membership fees received, and the breakdown of how much was received from each payment option will not significantly influence Georgie's decisions. |
| (b) | <p>Going concern is the assumption that an entity will continue to operate into the foreseeable future. By <i>Get Active Gym</i> offering memberships for up to 24 months it is assuming that it will still be operating two years into the future, hence following going concern.</p> |

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| (c) | <p>The accounting entity concept states that the personal financial affairs of the owner, Georgie, must be kept separate from the financial affairs of the business, <i>Get Active Gym</i>.</p> <p>Georgie’s backpack and the three she gifted to her children will be reported as drawings in the Statement of Financial Position for <i>Get Active Gym</i> at \$200. This is because they are a personal expense of Georgie and not an expense of <i>Get Active Gym</i>, therefore decreasing equity by / a distribution to the owner and not meeting the criteria of an expense.</p> <p>The six backpacks donated as prizes totalling \$300 will be reported as an expense in the Income Statement for <i>Get Active Gym</i>. The donated backpacks meet the characteristics of an expense because they will be reported as ‘donations’ in the expenses of the Income Statement, thereby decreasing profit. They were given to people who are not the owner or their family, therefore they are not drawings. The donated backpacks decreased <i>Get Active Gym</i>’s asset bank / inventory when Georgie paid/donated these to the local fun run for prizes, thereby ensuring all three characteristics of an expense are met.</p> |
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| N1 | N2 | A3 | A4 | M5 | M6 | E7 | E8 |
|-----------------------------------|-------------------|---|---|--|--|--|--|
| With no context reference: | | With some context reference describes: | | With clear context reference explains: | | Integrates context in explanations: | |
| ONE description. | TWO descriptions. | TWO of four: <ul style="list-style-type: none"> • materiality definition described • going concern definition • entity concept drawings • donations expense (2 / 3 criteria). | THREE of four: <ul style="list-style-type: none"> • materiality definition described • going concern definition • entity concept drawings • donations expense (2 / 3 criteria). | TWO of four: <ul style="list-style-type: none"> • materiality linked to membership fees • going concern definition • entity concept drawings \$200 in the Statement of Financial Position • donations expense \$300 in the Income Statement. | THREE of four: <ul style="list-style-type: none"> • materiality linked to membership fees • going concern definition • entity concept drawings \$200 in the Statement of Financial Position • donations expense \$300 in the Income Statement. | ONE of two: <ul style="list-style-type: none"> • materiality linked to influence on decision negative or not • entity concept drawings compared to donations expense for the backpacks with \$ in relevant financial statements. | BOTH: <ul style="list-style-type: none"> • materiality linked to influence on decision negative or not • entity concept drawings compared to donations expense for the backpacks with \$ in relevant financial statements. |

N0 = No response; no relevant evidence.

| Question THREE | Evidence |
|-------------------|---|
| (a) | <p>The information in the extract allows Georgie to see the income / revenue, expenses, and profit for <i>Get Active Gym</i> for two consecutive years. The reporting period concept means that financial information should be reported and measured for the same length of time. This information is consistent for the year ended 31 March, therefore meeting period reporting, and allowing for valid comparisons.</p> <p>Two consecutive years' figures mean that Georgie can identify similarities and differences in income, expenses, and profit, which allows Georgie to compare the impact of these variables.</p> <p>By being able to make valid conclusions due to consistent and comparable information, Georgie is well placed to make good decisions regarding <i>Get Active Gym</i>. For example, Georgie can see that revenue has increased by more than expenses, leading to an improvement in profit. As a result, Georgie may feel more confident about increasing the price of membership fees as it is a popular gym / keep the membership fees the same as she doesn't need to increase further as her profit as increased (a valid decision regarding membership fees).</p> |
| (b) | <p>The accounts receivable for <i>Get Active Gym</i> is reported at \$4 900. This meets faithful representation as it is evidenced through the invoices issued to the sports club members for the strength training and is the accurate amount owed.</p> <p>The accounts receivable note shows an allowance for doubtful debts of \$49 and a prediction of the amount likely to be received from accounts receivable at \$4 851. This allowance for doubtful debts will be based on the past experience that <i>Get Active Gym</i> has with 1% of members failing to pay their invoices. By allowing for this expectation of credit customers not paying, <i>Get Active Gym</i> has a more relevant figure of \$4 851 for accounts receivable, reflecting the more realistic amount it is expecting to receive. This is the predictive value of the accounts receivable and is useful for decision making as it is more reflective of what it is expecting to receive.</p> <p>The allowance for doubtful debts is based on past experience and is, by its nature, an estimate of the amount the gym does not expect to receive. Therefore, this estimate of 1% may not be accurate so the estimated amount <i>Get Active Gym</i> expects to receive of \$4 851 might not be accurate and needs to be treated with caution when making decisions. More customers than expected may pay their accounts or fewer may pay, resulting in different amounts of cash received.</p> |

| N1 | N2 | A3 | A4 | M5 | M6 | E7 | E8 |
|-----------------------------------|-------------------|--|---|--|---|---|--|
| With no context reference: | | With some context reference describes: | | With clear context reference explains: | | Integrates context in explanations: | |
| ONE description. | TWO descriptions. | THREE of five: <ul style="list-style-type: none"> • reporting period • comparability • predictive value • faithful representation • limitation. | FOUR of five: <ul style="list-style-type: none"> • reporting period • comparability • predictive value • faithful representation • limitation. | THREE of six: <ul style="list-style-type: none"> • reporting period • comparability • predictive value • faithful representation • limitation • link to decision-making. | FOUR of six: <ul style="list-style-type: none"> • reporting period • comparability • predictive value • faithful representation • limitation • link to decision-making. | TWO of three: <ul style="list-style-type: none"> • faithful representation • limitation • link to decision-making. | All THREE: <ul style="list-style-type: none"> • faithful representation • limitation • link to decision-making. |

N0 = No response; no relevant evidence.

Cut Scores

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