

## Assessment Schedule – 2025

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

#### Evidence

Question ONE	Evidence
(a)	<p>An expense will decrease profit and therefore decrease equity. It will decrease assets or increase liabilities and is not drawings by the owner.</p> <p>The staff expenses will decrease profit and therefore equity by \$2 000. They will decrease the asset of inventory (as shoes from inventory are given to employees) and are not drawings taken by Carl.</p> <p>The shoes given to employees would have been purchased by <i>Kool Kicks</i> in the past. Therefore, there would be documented evidence, for example an invoice or receipt, of the cost of the shoes at \$2 000 excl GST. This ensures that the expense of \$2 000 meets the recognition criteria of faithful representation.</p>
(b)	<p>According to the accounting policy, <i>Kool Kicks</i> will need to report the inventory in the statement of financial position as a current asset \$40 000. This is because the cost must be decreased by \$14 000 to account for the loss in future economic benefit due to the water damage.</p> <p>Relevance requires information to be reported if it has predictive (helps to anticipate what might happen) or confirmatory (helps to assure what has happened) value. By revaluing the inventory downwards by \$14 000 / reporting it at \$40 000 / at its net realisable value, it is helping to anticipate the likely benefit to be received when the sports shoes are sold, therefore, it has predictive value. The past valuation of the inventory of \$20 000 / \$54 000 does not have predictive value due to the damage sustained, and the sports shoes are unlikely to bring the full benefit and therefore would hinder decisions.</p> <p>The revaluation of inventory is based on an estimate of the realisable value of the damaged shoes. It is unlikely that the \$14 000 decrease will be exactly the value lost, the value of the assets might be under or overstated (or the profit would be higher or lower based on the accuracy of the write-down) / not accurate predictive value for decisions / relevance.</p>

N1	N2	A3	A4	M5	M6	E7	E8
With <b>no</b> context reference:		With <b>some</b> context reference describes:		With <b>clear</b> context reference explains:		<b>Integrates</b> context in explanations:	
ONE description or TWO partial descriptions.	TWO descriptions or THREE partial descriptions.	THREE of five <ul style="list-style-type: none"> <li>• expense (2 / 3)</li> <li>• faithful representation</li> <li>• inventory \$40 000</li> <li>• relevance</li> <li>• limitation identified.</li> </ul>	FOUR of five: <ul style="list-style-type: none"> <li>• expense (2 / 3)</li> <li>• faithful representation</li> <li>• inventory \$40 000</li> <li>• relevance</li> <li>• limitation identified.</li> </ul>	THREE of five: <ul style="list-style-type: none"> <li>• expense</li> <li>• faithful representation</li> <li>• inventory \$40 000 in statement of financial position</li> <li>• relevance – predictive value</li> <li>• limitation of inventory revaluation.</li> </ul>	FOUR of five: <ul style="list-style-type: none"> <li>• expense</li> <li>• faithful representation</li> <li>• inventory \$40 000 in statement of financial position</li> <li>• relevance – predictive value</li> <li>• limitation of inventory revaluation.</li> </ul>	ONE justified and one weaker: <ul style="list-style-type: none"> <li>• expense characteristics and faithful representation</li> <li>• relevance fully discussed, and limitation linked to decision making / relevance.</li> </ul>	BOTH justified: <ul style="list-style-type: none"> <li>• expense characteristics and faithful representation</li> <li>• relevance fully discussed, and limitation linked to decision making / relevance.</li> </ul>

**N0** = No response; no relevant evidence

Question TWO	Evidence
(a)	Going concern is the assumption that the entity will continue to operate into the foreseeable future. By signing a 10-year lease and updating its treadmills, <i>Kool Kicks</i> indicates that it expects to continue to operate into the foreseeable future (10 years for the lease).
(b)	<p>An asset is controlled by the entity, will bring future economic benefit, and is the result of a past transaction.</p> <p>The treadmills will be used by <i>Kool Kicks</i> to help fit customers' shoes, encouraging more sales. The treadmills are used exclusively by <i>Kool Kicks</i> and their customers. The professional fit and display will encourage customers to purchase shoes which will increase the bank asset when customers pay for the new shoes. The treadmills were purchased / updated by <i>Kool Kicks</i> in the past / this year / in January.</p> <p>The treadmills will be reported at \$11 000 (less accumulated depreciation) in the property, plant, and equipment / non-current assets section of the statement of financial position.</p>
(c)	<p>Depreciation is the loss in future economic benefit of an asset / reduction in value of an asset due to wear and tear or obsolescence / systematic allocation of the depreciable amount of the asset over its useful life.</p> <p>When <i>Kool Kicks</i> depreciates the treadmills, it wants depreciation to most accurately reflect the reduction in value of the treadmills over time – the more they are used, the greater the wear and tear / loss in future economic benefit. The treadmills will lose value based on the amount they are used and not in a consistent way like shop fittings do. The shop fittings will lose value consistently over time, as their use is consistent and doesn't vary like the treadmills, making it appropriate for the shop fittings. Therefore, depreciating the treadmills at \$12 per hour is the most accurate and complete method of depreciation.</p>

N1	N2	A3	A4	M5	M6	E7	E8
With <b>no</b> context reference:		With <b>some</b> context reference describes:		With <b>clear</b> context reference explains:		<b>Integrates</b> context in explanations:	
ONE description or TWO partial descriptions.	TWO descriptions or ONE full and ONE partial description.	TWO of five: <ul style="list-style-type: none"> <li>• going concern</li> <li>• asset (2 / 3)</li> <li>• depreciation</li> <li>• units of use depreciation</li> <li>• straight line depreciation.</li> </ul>	THREE of five: <ul style="list-style-type: none"> <li>• going concern</li> <li>• asset (2 / 3)</li> <li>• depreciation</li> <li>• units of use depreciation</li> <li>• straight line depreciation.</li> </ul>	THREE of five: <ul style="list-style-type: none"> <li>• going concern</li> <li>• asset</li> <li>• depreciation</li> <li>• units of use depreciation best for treadmills</li> <li>• straight line depreciation for shop fittings.</li> </ul>	FOUR of five: <ul style="list-style-type: none"> <li>• going concern</li> <li>• asset</li> <li>• depreciation</li> <li>• units of use depreciation best for treadmills</li> <li>• straight line depreciation for shop fittings.</li> </ul>	ONE justified and ONE weaker: <ul style="list-style-type: none"> <li>• treadmill explained as asset and classification</li> <li>• units of use depreciation best for treadmills contrasted to straight line for shop fittings.</li> </ul>	BOTH justified: <ul style="list-style-type: none"> <li>• treadmill explained as asset and classification</li> <li>• units of use depreciation best for treadmills contrasted to straight line for shop fittings.</li> </ul>

**N0** = No response; no relevant evidence.

Question THREE	Evidence
(a)	<p>The accrual basis states that transactions should be recognised when they occur and reported in the period to which they relate. The \$2 400 received as deposits for shoes not being delivered until May 2025 (next financial year) will be treated as income in advance. This is because the income / revenue has not been earned, and therefore does not relate to this financial year, but when the shoes are delivered and the remainder of the price paid, which is in the next accounting period.</p> <p>The sales income for the current year, ending 31 March 2025, will be decreased (debited) by \$2 400 when the income in advance is increased (credited) because the income hasn't been earned yet / to show the increased liability. Therefore, the sales figure reported in the income statement as income / revenue will be \$2 400 less than trial balance figure because the sales haven't been earned yet.</p> <p>The \$2 400 deposits will be reported as the current liability of income in advance in the statement of financial position as <i>Kool Kicks</i> has an obligation to deliver the shoes to the customers / refund the deposit within the next financial year (12 months).</p>
(b)	<p>Materiality determines that information should be disclosed if its omission or misstatement will impact on decision making, based on the size or nature of the information. Separating the general sales from that of the limited edition shoes helps to determine the effect of the limited edition shoes on <i>Kool Kicks'</i> income / revenue, as the information will influence Carl's decisions, because it's new / material in value (over 10% of total sales).</p> <p>By separating the revenue into two categories of shoe sales, Carl can see which category is driving more income and the trend in each category. He can see that the limited edition shoes income has fallen from \$13 500 in June to \$7 000 by August, as they are no longer the latest fashion. Had the two categories been grouped together, Carl would have seen only that income was at its highest in August at \$75 000 and may have mistakenly understood this to be because of the limited edition sales, when it was their lowest month for limited edition shoes.</p> <p>(Or other valid example of a decision, e.g. not sell limited edition shoes in the future as it takes away from general sales, which are five times more sales overall).</p>

N1	N2	A3	A4	M5	M6	E7	E8
With <b>no</b> context reference:		With <b>some</b> context reference describes:		With <b>clear</b> context reference explains:		<b>Integrates</b> context in explanations:	
ONE description or TWO partial descriptions.	TWO descriptions or THREE partial descriptions.	THREE of five: • accrual basis • income in advance • sales decreased • materiality • decision making example.	FOUR of five: • accrual basis • income in advance • sales decreased • materiality • decision making example.	THREE of five: • accrual basis • income in advance \$ • sales \$ • materiality linked to decision making • separating sales linked to decision making.	FOUR of five: • accrual basis • income in advance \$ • sales \$ • materiality linked to decision making • separating sales linked to decision making.	ONE justified and one weaker: • accrual basis impact on Income Statement and Statement of Financial Position • materiality assisting specific decision example, with details.	BOTH justified: • accrual basis impact on Income Statement and Statement of Financial Position • materiality assisting specific decision example, with details.

**N0** = No response; no relevant evidence.

**Cut Scores**

<b>Not Achieved</b>	<b>Achievement</b>	<b>Achievement with Merit</b>	<b>Achievement with Excellence</b>
0–7	8–13	14–18	19–24