

**Assessment Schedule – 2007****Accounting: Describe the conceptual basis of accounting for a sole proprietor (90220)****Evidence Statement****Codes used:****A** = achieved (recognise and define)**M** = merit (apply and justify)**Note:**

- Where more than one grade can be awarded for a question, award the highest grade the candidate's answer achieves – **M** being higher than **A**.
- Each question can be awarded only one grade.

Question	Evidence	Code
<b>ONE</b> <b>(a)(i)</b>	An invoice for electricity expenses will result in an increase in Accounts Payable.  <b>Judgement</b> Refers to an increase in / creation of either Accounts Payable (or Accrued Expenses). ( <b>Note:</b> must refer to an increase / creation to award the grade.)	<b>A</b>
<b>(a)(ii)</b>	There will be less (net) profit (when the electricity expenses are deducted in the Income Statement) so there is less equity.  <b>Judgement</b> Refers to less (net) profit.	<b>A</b>
<b>(a)(iii)</b>	The electricity expenses have been used for less than one year / have benefited ( <i>Ultimate Games</i> ) for less than one year / electricity expenses are a regular day-to-day operations payment / electricity has been consumed in the current period.  <b>Judgement</b> Refers to the expenditure benefiting or being used for less than one year, or is a regular, on-going payment.  Refers to the electricity expense benefiting or being used for less than one year, or is a regular, on-going payment.	<b>A</b>  <b>M</b>
<b>(b)</b>	<ul style="list-style-type: none"> <li>• Accounting Entity concept states that the financial statements include only the assets, liabilities, income and expenses or transactions of <i>Ultimate Games</i>.</li> <li>• The football video game taken home (for personal use) is recorded as drawings as it is not a business expense (<i>for Ultimate Games</i>), because the notion of Accounting Entity requires that personal transactions be kept separate from business transactions.</li> <li>• The football video game taken home by the owner does not meet the expense definition as it is a distribution to the owner and therefore is recorded as drawings.</li> </ul> <b>Judgement</b> First bullet only – just defines the Accounting Entity concept.  Refers to one of second two bullets – why the football video game is recorded as drawings.	<b>A</b>  <b>M</b>
<b>(c)</b>	A resource controlled by ( <i>Ultimate Games</i> ).  <b>Judgement</b> Refers to a resource controlled / present control. NOT: Control by itself.	<b>A</b>

<p><b>ONE</b> <b>(d)(i)</b></p>	<p>Materiality / (Relevance)</p>	<p><b>A</b></p>
<p><b>(d)(ii)</b></p>	<p>The amount paid for the footpath sign (\$700) is not of a large / big enough amount compared with the (\$50 000) billboard advertising to influence users' decisions.</p> <p><b>Judgement</b> Defines materiality / (relevance) as any item being of such a size or nature that its disclosure or non-disclosure may influence users' decisions.</p> <p>Refers to the amount paid for the footpath sign compared with the billboard advertising being not large / big enough to influence a decision.</p>	<p><b>A</b></p> <p><b>M</b></p>
<p>(e)</p>	<p>Paul hired Luke to work for <i>Ultimate Games</i> / Luke is Paul's cousin (relative), therefore Paul may not be free from bias and may have overestimated Luke's percentage of / contribution to sales.</p> <p><b>Judgement</b> Defines neutrality as being free from bias or Paul is Luke's Cousin.</p> <p>States that Paul is not free from bias and gives a reason why (hired / relative).</p>	<p><b>A</b></p> <p><b>M</b></p>
<p><b>TWO</b> <b>(a)</b></p>	<ul style="list-style-type: none"> <li>• The Cash Flow Statement shows users where cash has been received, and what cash has been spent on, during the period / year (and the impact on the bank balance).</li> <li>• To provide information on the cash inflows and cash outflows of <i>Ultimate Games</i> for the month to ascertain the closing bank balance and the change in cash position for the month.</li> </ul> <p><b>Judgement</b> Either bullet – refers to providing information about the historical changes in cash position.</p>	<p><b>A</b></p>
<p><b>(b)</b></p>	<ul style="list-style-type: none"> <li>• The Cash Flow Statement does not show any credit transactions.</li> <li>• The Cash Flow Statement does not include non-cash items.</li> <li>• The Cash Flow Statement does not reflect the operating performance of the business as there is no correlation between a net increase / decrease in cash and net profit.</li> <li>• The Cash Flow Statement does not show expected sales / expenses to be paid in the following accounting period.</li> </ul> <p><b>Judgement</b> Any one acceptable limitation.</p>	<p><b>A</b></p>

<p><b>TWO</b> <b>(c)(i)</b></p>	<p>Examples of non-financial information include:</p> <ul style="list-style-type: none"> <li>• number of customers / clients who regularly buy games</li> <li>• number of internet café competitors in the area</li> <li>• demand for an internet café</li> <li>• area of the business location.</li> </ul> <p><b>Judgement</b> Answer states one appropriate item of non-financial information.</p>	<p><b>A</b></p>
<p><b>(c)(ii)</b></p>	<ul style="list-style-type: none"> <li>• The number of customers who regularly buy games gives an indication of the possible customer base who might use the internet café; to see if a regular income will occur so that the bank lending manager can assess the likelihood of the loan being repaid.</li> <li>• Competition in the area will help the bank lending manager to determine if the café will be profitable, as no competition would assist a positive loan outcome.</li> <li>• Demand for internet services will help the bank lending manager to determine if the café will be profitable, as a lot of demand would assist a positive loan outcome.</li> <li>• The area of the business location gives an indication of possible other business employees who might use the internet café, to see if a regular income will occur so that the bank lending manager can assess the likelihood of the loan being repaid.</li> </ul> <p><b>Judgement</b> Explains (c) in terms of possible income (revenue) / profit for <i>Ultimate Games</i>.</p> <p>Adds the bank lending manager making an assessment about the likelihood of the loan being repaid / loan approved.</p>	<p><b>A</b></p> <p><b>M</b></p>
<p><b>(d)</b></p>	<p><i>Ultimate Games</i> will be required to give up some of its money / decrease bank account in the future to repay the loan to the bank.</p> <p><b>Judgement</b> Refers to giving up <b>money / asset bank</b> decreasing in the future to repay the loan.</p>	<p><b>M</b></p>

<p><b>THREE</b> <b>(a)</b></p>	<ul style="list-style-type: none"> <li>• <i>Ultimate Games</i> would have a source document(s) such as a share certificate / legal document / cash receipt / cheque butt.</li> <li>• (The document(s)) provide evidence of / proof of to faithfully represent the cost of the shares in <i>EB Games Ltd</i>.</li> <li>• OR (the documents) are neutral / free from bias as they are a transaction between two parties – <i>Ultimate Games</i> and <i>EB Games Ltd</i>.</li> </ul> <p><b>Judgement</b> Any bullet without context – just says the cost of the shares will be recorded on (source) documents or example of one or more.</p> <p>Any bullet with context – why (source) document (s) example is reliable using any of evidence / proof / verification / faithfully represent / neutral / free from bias ideas.</p>	<p><b>A</b></p> <p><b>M</b></p>
<p><b>(b)</b></p>	<ul style="list-style-type: none"> <li>• Information / market value is relevant when it influences the economic decisions of users by providing predictive value.</li> <li>• The market value of (\$22 500) is relevant as it provides users with a predictive amount (of future economic benefit) likely to be received if the shares were sold, which may influence decision making.</li> </ul> <p><b>Judgement</b> First bullet only – just defines any aspect of relevance (must refer to decisions of users / decision-making / an example of a decision being made, eg selling the shares).</p> <p>Adds reference to the market value (of \$22 500) having predictive value / being the probable future economic benefit to be received from the shares.</p>	<p><b>A</b></p> <p><b>M</b></p>
<p><b>(c)</b></p>	<ul style="list-style-type: none"> <li>• The dividends owing will be reported as Accrued Income, a (current) asset in the Balance Sheet as the dividends owing relate to this period (because the shares are currently owned by <i>Ultimate Games</i>).</li> </ul> <p><b>Judgement</b> Defines Accrual basis. (Transactions are recognised when they occur. They are reported in the financial statements of the period to which they relate.)</p> <p><b>or</b> Just states dividends / transactions / asset are reported in the period they relate to.</p> <p>Adds that the <b>dividends</b> owing will be reported as <b>Accrued Income / (current) asset</b> in the Balance Sheet <b>for the period</b>.</p>	<p><b>A</b></p> <p><b>M</b></p>

**Judgement Statement**

Achievement	Achievement with Merit	Achievement with Excellence
6 <b>A</b> or <b>M</b>	4 <b>M</b> plus 6 more <b>A</b> or <b>M</b>	6 <b>M</b> plus 6 more <b>A</b> or <b>M</b> <i>must</i> include at least 1 <b>A</b> or <b>M</b> grade in Q1 and Q2 and Q3.