

Assessment Schedule – 2008**Accounting: Describe the conceptual basis of accounting for a sole proprietor (90220)****Evidence Statement**

Q	Evidence	Code
1	<ul style="list-style-type: none"> Historical cost. 	A
2	<ul style="list-style-type: none"> The Income Statement shows the income and expenses for <i>Stick Sports</i>, not for Lucy. The Income Statement is for <i>Stick Sports</i> as a separate entity from Lucy. <p>Judgement Idea of Income Statement/ Income Statement items only for <i>Stick Sports</i>, not Lucy. Just says financial affairs of business kept separate from the owner.</p>	M A
3	<ul style="list-style-type: none"> <u>The Income Statement is prepared each year</u> to regularly <i>report profit/compare income/expenses/profit from one year to the next.</i> <p>Judgement Idea of reporting regularly (something related to the Income Statement). Just says life of business divided into periods.</p>	M A
4	<ul style="list-style-type: none"> Comparative figures are shown so that trends/differences/changes in income/expenses/profit can be identified/determined/seen. (Which helps Lucy make decisions about (the future of) <i>Stick Sports</i>) <p>Judgement To show trends in ... (any Income Statement item)/to help make decisions about <i>Stick Sports</i>. Just says to show trends (without reference to Income Statement item).</p>	M PLUS M A
5 (a)	<ul style="list-style-type: none"> The amount owing for sales wages has been added to the sales wages expense as the wages have been incurred in the current period/earned by the employees in the current period/belong to the current period. <p>Judgement Explains the wages “belong” to the current/this period/year ended 31 March 2008. Just says to report wages/expenses in the period they relate.</p>	M A
(b)	<ul style="list-style-type: none"> The amount owing for wages is a current liability because it will have to be paid in the next month/year/period/near future/<i>Stick Sports</i> next operating cycle. <p>Judgement Wages must be paid in the next (short time) period. Says paid in the next (short time) period without direct reference to the wages.</p>	M A

<p>6 (a)</p>	<p>Credit sale of hockey sticks results in:</p> <ul style="list-style-type: none"> • an increase in economic benefit as cash will be received from the debtor/ accounts receivable • inflow/ increase of asset accounts receivable • increase in equity by increase in profit and is not contributed by Lucy/ the owner. <p>Judgement Refers sales, increase in accounts receivable, increase in equity (not contribution). <i>or</i> Explains the increase in economic benefit as cash will be received.</p>	<p>M PLUS M</p>
<p>(b)</p>	<p>It is probable <i>Stick Sports</i> will receive the money owing from accounts receivable/ debtor from the credit sale as <i>Stick Sports</i> has a legal right to the money/ debtors will want to buy more on credit so will pay account/ <i>Stick Sports</i> only sells on credit to creditworthy customers. <i>OR</i> It is probable the income has arisen as the accounts receivable asset has increased, which brings future economic benefit.</p> <p>Judgement Adds a reason why it is likely accounts receivable/ debtors will pay. Just says probable the business will receive the money (owing).</p>	<p>M A</p>
<p>7</p>	<ul style="list-style-type: none"> • It is not necessary to know the different items of inventory for decision making based on the balance sheet. • It is necessary to know the amount of total inventory to make valid decisions based on the balance sheet. <p>Judgement Links idea of needing total inventory/ not needing individual items to make decisions (based on the balance sheet). Reference to not influencing decisions with no specific link to inventory (definition of materiality not applied).</p>	<p>M A</p>
<p>8 (a)</p>	<ul style="list-style-type: none"> • The softball bats will no longer be reported at acquisition/ purchase/ historical cost of \$5 000. • The softball bats will be reported at net realisable value of \$2 000 as it is the up-to-date/ present value of softball bats/ best predictor of the amount likely to be received from the softball bats/ material or helpful for making decisions about the actual value of softball bats on hand/ gives the future value of the softball bats. <p>Judgement (award M and M bonus, ie 2 M can be awarded) Gives either of the bullet points with reference to softball bats. PLUS Gives both bullet points/ explains that softball bats aren't to be reported at cost but are to be reported at net realisable value because relevance more important than historical cost.</p>	<p>M PLUS M</p>
<p>(b)</p>	<ul style="list-style-type: none"> • The \$2 000 is a reliable measure as it represents the amount likely to be received from the (softball bats)/ <i>Stick Sports</i>/ Lucy knows she can't sell the bats at cost or above (as they are out of date). <p>Judgement Idea that \$2 000 (represents) the amount to be received from the bats/ OR idea that (because bats haven't sold) <i>Stick Sports</i>/ Lucy knows she will get only this/ won't get \$5 000/ idea of being prudent so <i>Stick Sports</i>' asset inventory/ bats will not be overstated. Note: To award M answer must refer to at least one of bats/ Lucy/ <i>Stick Sports</i> – if idea is there and answer only says inventory/ assets award A.</p>	<p>M A</p>

Q	Evidence	Code
9 (a)	(Lucy) could decide whether or not to buy new shop fittings (for <i>Stick Sports</i>). OR Lucy might decide she needs to improve her credit policy regarding accounts receivable.	A
(b)	Lucy can see her current debt compared with total assets/see her equity (or security) is sufficient to allow further borrowing/see if (<i>Stick Sports</i>) only has a small amount of debt, which would enable her to borrow more. OR She would see accounts receivable had become too large and needed reducing. Alternatives are acceptable. The key judgement is the decision. Must use information in a balance sheet – assets/liability/equity (rather than an Income Statement).	M

Codes used:

A = Achievement (recognise and define)

M = Achievement with Merit (apply and justify)

Judgement Statement

Achievement	Achievement with Merit	Achievement with Excellence
3 × M plus 2 A or M (<i>must come from 4 questions</i>) Or 6 × M or A	7 × M plus 2 more M or A Or 6 × M plus 3 more A	10 × M

12 questions, 14 M, 10 A

First line indicates depth

Second line indicates breadth