

**Assessment Schedule – 2008****Accounting: Demonstrate an understanding of the conceptual basis of accounting (90022)****Evidence Statement**

<b>Q</b>	<b>Evidence</b>	<b>Code</b>
<b>One</b> (a)	To measure the profit/loss (for the period) OR To compare income /expenses /profit <b>with another period</b> .	<b>D</b>
(b)	Advantages of being a sole proprietor – any ONE of: <ul style="list-style-type: none"> <li>• keep all the profit</li> <li>• easy to set up</li> <li>• simple accounting statements/records</li> <li>• make all decisions</li> <li>• easy to discontinue</li> <li>• work own hours.</li> </ul> <b>Note:</b> “Be your own boss” not acceptable without explanation.	<b>D</b>
(c)	<b>Personal</b> assets are used to pay <b>business</b> debts <u>in event of business failure</u> (or similar). eg  Brian’s personal assets may be used to pay off business debts /Brian is personally liable to pay off the business debts. OR If the business gets into financial difficulty /is unable to repay its debts /liabilities, then the personal assets of Brian (the owner) can be used /sold to repay the business debts.	<b>D</b>
(d)	Sources of finance could include (any TWO of): <ul style="list-style-type: none"> <li>• investment from Brian</li> <li>• borrow from family and/or friends</li> <li>• loan (from a financial institution).</li> <li>• New investors by changing to partnership or company</li> </ul>	<b>2 × D</b>

Code: **D** = Describe**Judgement Statement for First Criterion**

<b>Achievement</b>	<b>Achievement with Merit</b>	<b>Achievement with Excellence</b>
Any 3 <b>D</b>	Any 3 <b>D</b>	Any 4 <b>D</b>

Q	Evidence	Code								
Two (a) (i)	<b>Expenses</b> Any THREE of: <ul style="list-style-type: none"><li>• advertising</li><li>• interest on loan (not just interest)</li><li>• telephone</li><li>• wages.</li></ul>	R								
(ii)	<b>Income</b> Any THREE of: <ul style="list-style-type: none"><li>• dividends</li><li>• interest received (not just interest)</li><li>• DVD rentals</li><li>• sales.</li></ul>	R								
(b)	Must refer to <b>increase in equity</b> and <b>increase in assets</b> (OR <b>decrease in liabilities</b> ) and <b>not owner's contribution (or increase in profit)</b> to get <b>D</b> . <b>Note:</b> All parts must be present.  <b>Video game rental</b> increases equity by increasing net <b>profit</b> (OR and is not from <b>owner/Brian's contributions</b> ) and increases ( <i>Yours to View</i> ) <b>bank</b> (or <b>accounts receivable</b> ) account.  <b>Note:</b> Must have <b>2 of the 3</b> underlined to get <b>A</b> . Must have all parts of the definition first to get <b>A</b> . Cannot have decrease in liabilities in answer for <b>A</b> .	<b>D</b> OR  <b>A</b>								
(c)	<table><tr><th>Characteristic of an asset</th><th>Explanation</th></tr><tr><td>Past transaction</td><td>(i) (<i>Yours to View</i>) <b>purchased</b> a (wide-screen) <b>television</b> (in the past).</td></tr><tr><td>(ii) (Present) <b>control</b></td><td>Only <i>Yours to View</i> can use the wide-screen television.</td></tr><tr><td>Future economic benefit</td><td>(iii) The (wide-screen) <b>television</b> will be used to <b>promote the videos</b> and DVDs to help earn <b>cash</b> from rental <b>income</b> (in the future).</td></tr></table> <b>Note:</b> Restrict to D for (c) (iii) if no mention of TV/asset but both components for an <b>A</b> otherwise there.	Characteristic of an asset	Explanation	Past transaction	(i) ( <i>Yours to View</i> ) <b>purchased</b> a (wide-screen) <b>television</b> (in the past).	(ii) (Present) <b>control</b>	Only <i>Yours to View</i> can use the wide-screen television.	Future economic benefit	(iii) The (wide-screen) <b>television</b> will be used to <b>promote the videos</b> and DVDs to help earn <b>cash</b> from rental <b>income</b> (in the future).	<b>D</b> only  <b>R</b>  <b>D</b> OR <b>A</b>
Characteristic of an asset	Explanation									
Past transaction	(i) ( <i>Yours to View</i> ) <b>purchased</b> a (wide-screen) <b>television</b> (in the past).									
(ii) (Present) <b>control</b>	Only <i>Yours to View</i> can use the wide-screen television.									
Future economic benefit	(iii) The (wide-screen) <b>television</b> will be used to <b>promote the videos</b> and DVDs to help earn <b>cash</b> from rental <b>income</b> (in the future).									
(d)	Defines depreciation without reference to the wide-screen television, eg: <ul style="list-style-type: none"><li>• to record the consumption/loss of the future economic benefit</li><li>• to allocate the cost of the asset over its useful lifetime</li><li>• the systematic allocation of the depreciable amount of an asset over its useful life.</li></ul> <b>Note:</b> If there is a reference to wearing out/obsolescence and includes a reference to over time – restrict to <b>D</b> if this is all that is written.  If loss of value is referred to, NO GRADE.  OR  Explains depreciation WITH specific reference to the wide-screen <b>television</b> . Answer <b>must not</b> refer to measuring the loss of the asset or showing its market value, eg: <ul style="list-style-type: none"><li>• to record the consumption of the future economic benefit of the wide-screen television</li><li>• to allocate the cost of the wide-screen television over its useful lifetime.</li></ul>	<b>D</b> OR       <b>A</b>								

(e)	<b>Characteristic of an expense</b>	<b>Explanation</b>	<b>D</b>  <b>D</b>  <i>plus</i>  <b>A</b>
	Decrease in asset	(i) A decrease in the <b>bank</b> asset (when the wages are paid).	
	Decrease in equity	(ii) Decreases (net) <b>profit</b> (or <b>not</b> Brian's/ owner's <b>drawings</b> ).	
<b>A</b> is if they have included <b>wages</b> and <b>bank</b> and <b>profit</b> (or not Brian/owner's <b>drawings</b> ).			<b>A</b>

Codes used: **R** = Recognise; **D** = Define; **A** =Apply.

#### Judgement Statement for Second Criterion

Achievement	Achievement with Merit	Achievement with Excellence
Any 3 of <b>R</b> or <b>D</b> or <b>A</b>	3 × <b>D</b> or <b>A</b> , and 3 more <b>R</b> , <b>D</b> or <b>A</b>	3 × <b>A</b> , and 4 more <b>R</b> , <b>D</b> or <b>A</b>

Q	Evidence	Code
<b>Three</b> (a)	Going concern.	<b>R</b>
(b)	<p>Defines the monetary notion without reference to the popcorn machine. eg: Transactions are recorded /reported /measured as a common <u>monetary/ currency</u> unit <b>OR</b> The transaction is recorded in New Zealand currency in the accounting records of <i>Yours to View</i>.</p> <p>Explains the monetary notion with specific reference to the popcorn machine AND \$NZ currency, eg: The <u>popcorn machine</u> is recorded /reported / measured in <u>New Zealand currency</u> in the (accounting records of <i>Yours to View</i>). <b>Note:</b> \$NZ OK</p>	<b>D</b>  <b>OR</b>  <b>A</b>
(c)	<p>The transactions are <b>reported</b> in the (financial statements of the) periods to which they relate. <b>Note:</b> Must include <b>reported</b>. "Recognised in the period in which it occurred" is irrelevant.</p> <p>Refers to a <b>decrease in the expense</b> advertising as the <b>expense</b> (advertising) is for next period / year <b>or</b> <b>Prepayments</b> are reported as an (current) <b>asset</b> in the current period, as the expenses (advertising) is for next period / year (or similar idea of future economic benefit) The prepayment of advertising decreases the advertising expense for the current period (in the Income Statement) <b>OR</b> The Prepayment is reported as a (current) <b>asset</b> on balance day (in the Balance Sheet).</p>	<b>D</b>  <b>OR</b>  <b>A</b>
(d)	Historical cost.	<b>R</b>
(e)	<p>The life of a business (or <i>Yours to View</i>)/economic / financial activity is divided into (nominated) time periods.</p> <p>The life of the business (or <i>Yours to View</i>) is divided into (nominated) time periods so that ... <b>financial performance / position / net profit can be reported / measured or financial statements prepared</b> on a ... <b>regular / timely basis and / or compared from one period / year to the next.</b> <b>Note:</b> Both parts are both required for <b>A</b>.</p>	<b>D</b>  <b>OR</b>  <b>A</b>

(f)	<p>The notion of accounting entity is to keep the financial / economic affairs / expenses / transactions of the entity separate and distinct from the financial / economic affairs / expenses / transactions of the owner.</p> <p>Brian records the amount of his <b>personal phone bill</b> (or <b>personal expense / cheque</b>) as <b>drawings</b> to keep his personal expenses separate from his business expenses.</p> <p><b>Note:</b> Must have drawings and personal phone bill / cheque / expense.</p>	<b>D</b> OR <b>A</b>
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Codes used: **R** = Recognise; **D** = Define; **A** = Apply.

#### Judgement Statement for Third Criterion

Achievement	Achievement with Merit	Achievement with Excellence
Any 2, of <b>R</b> or <b>D</b> or <b>A</b>	2 x <b>D</b> or <b>A</b> plus 2 more <b>D</b> or <b>A</b> or <b>R</b>	2 x <b>A</b> , and 1 other <b>D</b> or <b>A</b> and 1 other <b>D</b> or <b>A</b> or <b>R</b>

#### Overall Judgement Statement

Achievement	Achievement with Merit	Achievement with Excellence
Achievement in each of the three criteria	Merit in all three criteria	Excellence in all three criteria