

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

D = describe (recognise and define)

e = explain (apply and justify)

Question	Evidence	Code
<b>ONE</b> (a)	To disclose the entity's <u>assets, liabilities and equity</u> and the relationship of these elements to each other <u>at a point in time</u> . <b>Note:</b> Both underlined points required. (Must have all three of A, L and E)	<b>D</b>
(b)	Any one of: <ul style="list-style-type: none"> <li>• Non-financial information is not disclosed.</li> <li>• Accumulated depreciation (allowance doubtful debts) is based on estimates.</li> <li>• Assets are reported at carrying amount, which may not reflect market value.</li> </ul>	<b>D</b>
(c)	The Balance Sheet (of <i>Matiu's Music Store</i> ) will record the business's transactions <b><u>(assets and liabilities) in New Zealand Dollars.</u></b>  <b>Judgement</b> <b>e</b> words in ( )	<b>D</b> <b>OR</b> <b>e</b>
(d)	Transactions (assets and liabilities) are <u>reported</u> to the period to which they <u>relate</u> .  ( <b>Interest Owing on mortgage</b> creates a current liability called accrued expenses reported in the balance sheet of <i>Matiu's Music Store</i> .)  <b>Judgement</b> <b>D</b> definition of accrual basis <b>e</b> example and context; words in ( )	<b>D</b> <b>OR</b> <b>e</b>

**Question One Judgement Criteria**

Achievement	Merit	Excellence
2 <b>D</b>	1 <b>e</b>	2 <b>e</b>  OR 1 <b>e</b> AND 2 <b>D</b>

Question	Evidence	Code
<b>TWO</b> (a)	Only <i>Matiu's Music Store</i> can use the fixtures and fittings.	<b>D</b>
(b)	<p>Fixtures and fittings are used to <u>display</u> the <b>(CDs and music)</b> that the store sells. This encourages customers to view the products, potentially <u>creating an inflow of sales, income and cash</u> for <b><i>Matiu's Music Store</i></b>.</p> <p><b>Judgement</b>  <b>D</b> fixtures and fittings are used to display (display idea)  <b>e</b> applying context...potentially creating...</p>	<b>D</b>  <b>OR</b> <b>e</b>
(c)	<p>The <u>fixtures and fittings</u> would have a more relevant value, which would be better to use to <u>make decisions</u> about the value of the store's assets as it is more up-to-date/ provides the best value (\$25 000) to use to make predictions.</p> <p><b>Judgement</b>  <b>D</b> definition of relevance eg up-to-date or applied  <b>e</b> Underlined items in context, definition applied to decision-making</p>	<b>D</b>  <b>OR</b> <b>e</b>

**Question Two Judgement Criteria**

Achievement	Merit	Excellence
2 <b>D</b>	1 <b>e</b>	2 <b>e</b>  OR  1 <b>e</b> AND 2 <b>D</b>

Question	Evidence	Code
<b>THREE</b> (a)	When <i>Matiu's Music Store</i> paid the telephone expense, <u>money</u> flowed from the entity (decreasing the asset <u>bank</u> ).	<b>D</b>
(b)	The telephone expenses: <ul style="list-style-type: none"> <li>• have been used for less than one year</li> <li>• have benefited the store for less than one year</li> <li>• are a regular day-to-day operations payment</li> <li>• telephone expense has been consumed in the current period.</li> </ul> <p><b>Judgement</b>  <b>D</b> any of above points  <b>e</b> Telephone (expense)</p>	<b>D</b>  <b>OR</b> <b>e</b>
(c)	The Accounting Entity states that the financial statements include only expenses for <i>Matiu's Music Store</i> /personal expenses and business expenses are to be kept separate.  The <b>personal telephone expense</b> is not an expense of <i>Matiu's Music Store</i> , so according to the notion of <b>Accounting Entity</b> , it is reported as drawings to keep separate the personal and business transactions.  <p><b>Judgement</b>  <b>D</b> correct definition of the Accounting Entity  <b>e</b> definition plus context ... the telephone expense is not a business expense</p>	<b>D</b>  <b>OR</b> <b>e</b>

**Question Three Judgement Criteria**

Achievement	Merit	Excellence
2 <b>D</b>	1 <b>e</b>	2 <b>e</b>  OR  1 <b>e</b> AND 2 <b>D</b>

Question	Evidence	Code
<b>FOUR</b> (a)	<i>Matiu's Music Store</i> will record the <u>buildings</u> at their original <u>purchase price</u> .	<b>D</b>
(b)	By recording the <b>buildings</b> at their original purchase price, the entity will have a <b>source document (receipt)</b> verifying the amount paid at purchase. This source document makes the value neutral and a faithful representation of the purchase price.  <b>Judgement</b> <b>D</b> neutral or faithful representation (no application to buildings) <b>e</b> Must use an example of a source document and apply either neutral or faithful representation to buildings.	<b>D</b>  <b>OR</b> <b>e</b>
(c)	Information that is likely to influence the decisions of users of the financial statements needs to be disclosed. The buildings note shows the cost of the asset, the amount the asset has depreciated over time, and the method of depreciation. This information is likely to influence users' decisions about the business assets carrying amounts, so it needs to be disclosed (in the note).  <b>Judgement</b> <b>D</b> mentions just "may influence decisions" <b>e</b> Must give an example of something in the note (ie the accumulated depreciation) relating to land or building and state that this may be used in decision-making	<b>D</b> <b>OR</b> <b>e</b>

**Question Four Judgement Criteria**

Achievement	Merit	Excellence
1 <b>D</b>	1 <b>e</b>	2 <b>e</b>
		<b>OR</b>
		1 <b>e</b> AND 2 <b>D</b>

**Overall Judgement Statement**

Achievement	Achievement with Merit	Achievement with Excellence
3 <b>A</b>	3 <b>M</b>	3 <b>E</b>
		<b>AND</b>
		1 <b>M</b>

Lower case **a**, **m**, **e** may be used throughout the paper to indicate contributing evidence for overall grades for questions.

The following Accounting-specific marking codes may have been used when marking this paper:

**D** describe (recognise and define)

**E** explain (apply and justify)