

**Assessment Schedule – 2013****Accounting: Demonstrate understanding of accounting concepts for an entity that operates accounting subsystems (91174)****Evidence Statement**

| Question                  | Evidence  |
|---------------------------|---|
| <p><b>ONE</b><br/>(a)</p> | <p>The \$65 000 spent on business electricity will be reported in the income statement as an expense- electricity, as there has been a decrease in economic benefits, because the bank account of the business was reduced to pay for the electricity.</p> <p>The electricity will reduce the profit of <i>Toptronics</i>, thus reducing equity – and it is not a distribution to Dave, as it is paid to the electricity company. Whereas the payments for Dave’s home electricity (\$3 000) will be reported as drawings in the Statement of Financial Position, as they are not an expense of the business so this spending must be reported separately as per the entity concept.</p>  |
| <p>(b)</p>                | <p>In the past, <i>Toptronics</i> purchased the shop shelves. <i>Toptronics</i> has control over the shop shelves, as no other business can use them. The shop shelves provide future economic benefit to <i>Toptronics</i>, because they display the electrical goods, which makes it easier to sell them – which brings in cash when the customers buy the goods.</p> <p><i>Toptronics</i> can recognise the shop shelves as an asset, as the cost / amount of the shop shelves can be measured reliably, as there will be an invoice that verifies the amount / is free from bias.</p> <p>It is also probable that cash will flow to the business, as <i>Toptronics</i> would intend to use the shop shelves to display the electrical goods.</p> <p>The shop shelves are a non-current asset, because there is no intention to turn them into cash in the next 12 months – so they will continue to be used to display electrical goods over the years.</p> |

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| <b>Not Achieved</b> | <b>N1</b> | <p>TWO of:</p> <ul style="list-style-type: none"> <li>partially correct definition of expense given</li> <li>partially correct description of accounting entity given</li> <li>two of past, present, future in context of asset definition</li> <li>partial explanation of recognition criteria</li> <li>partial non-current asset explanation.</li> </ul>  |
|                     | <b>N2</b> | <p>THREE of:</p> <ul style="list-style-type: none"> <li>partially correct definition of expense given</li> <li>partially correct description of accounting entity given</li> <li>two of past, present, future in context of asset definition</li> <li>partial explanation of recognition criteria</li> <li>partial non-current asset explanation.</li> </ul>  |
| <b>Achievement</b>  | <b>A3</b> | <p>TWO of:</p> <ul style="list-style-type: none"> <li>correctly describes – in the context of electricity – most of the expense criteria</li> <li>describes the notion of accounting entity with some correct connection to electricity</li> <li>correctly describes – in the context of the asset – TWO of past, present, and future</li> <li>correctly describes both parts of recognition criteria, with a partially correct attempt to use in context</li> <li>current asset is turned into cash within the next year, and there is no intention to do this with shop shelves, so can't be current.</li> </ul>    |
|                     | <b>A4</b> | <p>THREE of:</p> <ul style="list-style-type: none"> <li>correctly describes – in the context of electricity – most of the expense criteria</li> <li>describes the notion of accounting entity, with some correct connection to electricity</li> <li>correctly describes – in the context of the asset – TWO of past, present, and future</li> <li>correctly describes both parts of recognition criteria, with a partially correct attempt to use in context</li> <li>current asset is turned into cash within the next year, and there is no intention to do this with shop shelves, so can't be current.</li> </ul> |

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| <b>Merit</b> | <b>M5</b> | <p>ONE of:</p> <ul style="list-style-type: none"> <li>• all parts of electricity as it relates to the expense criteria, and making it clear that the \$65 000 / business electricity will be reported in the Income Statement<br/><i>OR</i></li> </ul> <p>correctly explains entity notion as it relates to <i>Toptronics</i>, making it clear that the home electricity must be kept separate, and is therefore reported as drawings in Statement of Financial Position</p> <ul style="list-style-type: none"> <li>• why the shop shelves meets the past, present, and future definition requirements of an asset<br/><i>AND</i></li> </ul> <p>how the recognition criteria is met<br/><i>OR</i></p> <p>how the shop shelves are non-current assets, because it is intended to continue to use them over the next few years, (so there is no intention to sell them for cash).</p> |
|              | <b>M6</b> | <p>TWO of:</p> <ul style="list-style-type: none"> <li>• all parts of electricity as it relates to the expense criteria, and making it clear that the \$65 000 / business electricity will be reported in the Income Statement<br/><i>OR</i></li> </ul> <p>correctly explains entity notion as it relates to <i>Toptronics</i>, making it clear that the home electricity must be kept separate, and is therefore reported as drawings in Statement of Financial Position</p> <ul style="list-style-type: none"> <li>• why the shop shelves meets the past, present, and future definition requirements of an asset<br/><i>AND</i></li> </ul> <p>how the recognition criteria is met<br/><i>OR</i></p> <p>how the shop shelves are non-current assets, because it is intended to continue to use them over the next few years, (so there is no intention to sell them for cash).</p> |

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| <b>Excellence</b> | <b>E7</b> | <p>ONE of:</p> <ul style="list-style-type: none"> <li>• all parts of electricity as it relates to the expense criteria, and making it clear that the \$65 000 / business electricity will be reported in the Income Statement<br/><i>AND</i></li> </ul> <p>correctly explains entity notion as it relates to <i>Toptronics</i>, making it clear that the home electricity must be kept separate, and is therefore reported as drawings in Statement of Financial Position</p> <ul style="list-style-type: none"> <li>• why the shop shelves meets the past, present, and future definition requirements of an asset<br/><i>AND</i></li> </ul> <p>how the recognition criteria is met<br/><i>AND</i></p> <p>how the shop shelves are non-current assets, because it is intended to continue to use them over the next few years, (so there is no intention to sell them for cash).</p> |
|                   | <b>E8</b> | <p>TWO of:</p> <ul style="list-style-type: none"> <li>• all parts of electricity as it relates to the expense criteria, and making it clear that the \$65 000 / business electricity will be reported in the Income Statement<br/><i>AND</i></li> </ul> <p>correctly explains entity notion as it relates to <i>Toptronics</i>, making it clear that the home electricity must be kept separate, and is therefore reported as drawings in Statement of Financial Position</p> <ul style="list-style-type: none"> <li>• why the shop shelves meets the past, present, and future definition requirements of an asset<br/><i>AND</i></li> </ul> <p>how the recognition criteria is met<br/><i>AND</i></p> <p>how the shop shelves are non-current assets, because it is intended to continue to use them over the next few years, (so there is no intention to sell them for cash).</p> |

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

| Question                  | Evidence   |
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| <p><b>TWO</b><br/>(a)</p> | <p>The purpose of a Cash Flow Statement is to determine where the cash came from and what it was spent on during the year (which will explain the change in the bank balance for the year).</p> <p>The decision to introduce the online store would likely increase receipts, as new customers would be attracted to the new opportunity.</p> <p>It is likely to increase payments also, as <i>Toptronics</i> will be buying more electronic appliances because of the additional sales.</p> <p>The positive result would be shown by an increase in bank balance / increase in cash surplus for <i>Toptronics</i>, the business sold more goods, which would increase receipts more than payments.</p>  |
| <p>(b)</p>                | <p><i>Toptronics</i> has correctly reported the Shares in <i>Telco Ltd</i> in the Statement of Financial Position extract, because \$20 000 represents the original cost to purchase the shares.</p> <p>The qualitative characteristic of relevance has been applied to the note where the \$24 000 will influence decisions made by Dave as it is a prediction of how much cash he could receive if he sold the shares.</p> <p>The current market value may now be high enough to encourage him to sell the shares.</p> <p>Both amounts are verifiable as different people (independent observers) could confirm both amounts, as in the case of the \$20 000, there would be share certificates / source document indicating the original amount, and in the case of <i>Telco Ltd</i>, the (current market value of the shares would be published, and therefore would be accessible to anybody requiring this information).</p> |

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| <b>Not Achieved</b> | <b>N1</b> | THREE of: <ul style="list-style-type: none"> <li>partially correct description of purpose</li> <li>indicates receipts or payments change</li> <li>partial explanation of either receipts or payments increasing</li> <li>partially correct definition of historical cost</li> <li>partially correct definition of relevance</li> <li>partially correct definition of verifiability.</li> </ul>  |
|                     | <b>N2</b> | FOUR of: <ul style="list-style-type: none"> <li>partially correct description of purpose</li> <li>indicates receipts or payments change</li> <li>partial explanation of either receipts or payments increasing</li> <li>partially correct definition of historical cost</li> <li>partially correct definition of relevance</li> <li>partially correct definition of verifiability.</li> </ul>   |
| <b>Achievement</b>  | <b>A3</b> | THREE of: <ul style="list-style-type: none"> <li>correctly describes purpose of cash flow statement</li> <li>correctly describes a reason for either receipts or payments increasing in context of new online store</li> <li>correctly describes increase in bank / cash surplus with a link to receipts increasing</li> <li>correctly describes historical cost in the context of shares</li> <li>correctly describes meaning of relevance</li> <li>correctly describes meaning of verifiability.</li> </ul> |
|                     | <b>A4</b> | FOUR of: <ul style="list-style-type: none"> <li>correctly describes purpose of cash flow statement</li> <li>correctly describes a reason for either receipts or payments increasing in context of new online store</li> <li>correctly describes increase in bank / cash surplus with a link to receipts increasing</li> <li>correctly describes historical cost in the context of shares</li> <li>correctly describes meaning of relevance</li> <li>correctly describes meaning of verifiability.</li> </ul>  |
| <b>Merit</b>        | <b>M5</b> | ONE of: <ul style="list-style-type: none"> <li>purpose and how and why cash receipts and payments increased in context of new online store.</li> <li>historical cost AND correctly uses relevance in the context of shares OR uses verifiability in the context of shares.</li> </ul>   |
|                     | <b>M6</b> | TWO of: <ul style="list-style-type: none"> <li>purpose and how and why cash receipts and payments increased in context of new online store</li> <li>historical cost AND correctly uses relevance in the context of shares OR uses verifiability in the context of shares.</li> </ul>  |
| <b>Excellence</b>   | <b>E7</b> | ONE of: <ul style="list-style-type: none"> <li>purpose and how and why cash receipts and payments increased in context of new online store, with clear description of positive result linked to changes in receipts and payments</li> <li>historical cost AND correctly uses relevance in the context of shares AND uses verifiability in the context of shares.</li> </ul>   |
|                     | <b>E8</b> | TWO of: <ul style="list-style-type: none"> <li>purpose and how and why cash receipts and payments increased in context of new online store, with clear description of positive result linked to changes in receipts and payments.</li> <li>historical cost AND correctly uses relevance in the context of shares AND uses verifiability in the context of shares.</li> </ul>  |

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

| Question            | Evidence  |
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| <b>THREE</b><br>(a) | <p>Going concern means that <i>Toptronics</i> will continue to operate into the foreseeable future, as there is no intention to liquidate the business, which means the business will continue to sell electrical goods. Sales growth is an indicator of this, as it shows the business is continuing to grow / the business is successful / the business will continue to grow in the future, thus there is no apparent reason to liquidate the business because of this.</p> <p>The fact that <i>Toptronics</i> is a going concern is important to the employees, because they can feel that their jobs are safe, and with the sales growth, they can ask Dave for an increase in wages, because the business will continue to operate into the foreseeable future.</p> |
| (b) (i)             | <p>The purchase of the new delivery van will be reported at \$84 000, as the cost of the van and the sign writing are capital expenditure.</p> <p>The delivery van purchase is a one-off purchase of a non-current asset.</p> <p>The delivery van will continue to be used in the years that follow to make deliveries to customers.</p> <p>The sign writing is added to the purchase cost of the asset, ie it is capital expenditure – because it is part of the cost of getting the delivery van ready for its intended use, ie to make deliveries and promote the business as deliveries are made.</p>   |
| (ii)                | <p>The diesel is revenue expenditure, as it is occurs regularly, ie it is a day-to-day expense as indicated by \$300 being spent a month on it – and because of this, it will be reported in the Income Statement (as an expense).</p>  |

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| <b>Not Achieved</b> | <b>N1</b> | <p>TWO of:</p> <ul style="list-style-type: none"> <li>• partially correct description of going concern</li> <li>• partially correct definition of capital expenditure</li> <li>• partially correct definition of revenue expenditure.</li> </ul>                 |
|                     | <b>N2</b> | <p>THREE of:</p> <ul style="list-style-type: none"> <li>• partially correct description of going concern</li> <li>• partially correct definition of capital expenditure</li> <li>• partially correct definition of revenue expenditure.</li> </ul>               |
| <b>Achievement</b>  | <b>A3</b> | <p>ONE of:</p> <ul style="list-style-type: none"> <li>• correctly describes / defines going concern in context, eg continue to sell electrical appliances into the foreseeable future</li> <li>• correctly describes capital and revenue expenditure.</li> </ul> |
|                     | <b>A4</b> | <p>TWO of:</p> <ul style="list-style-type: none"> <li>• correctly describes / defines going concern in context eg continue to sell electrical appliances into the foreseeable future</li> <li>• correctly describes capital and revenue expenditure.</li> </ul>  |

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| <b>Merit</b> | <b>M5</b> | <p>ONE of:</p> <ul style="list-style-type: none"> <li>• explains that <i>Toptronics</i> is a going concern, because the sales growth shows the business is a success / growing, and this is why there is no intention to liquidate, ie continue to sell electrical goods</li> <li>• explains the purchase of the new delivery van will be reported at \$84 000, because the cost and sign-writing are both one-offs that allow the van to make deliveries, as it was intended, beyond the current year</li> </ul> <p>OR</p> <p>explains the diesel is revenue expenditure linked to a clear explanation of a reason.</p> |
|              | <b>M6</b> | <p>TWO of:</p> <ul style="list-style-type: none"> <li>• explains that <i>Toptronics</i> is a going concern, because the sales growth shows the business is a success / growing, and this is why there is no intention to liquidate, ie continue to sell electrical goods</li> <li>• explains the purchase of the new delivery van will be reported at \$84 000, because the cost and sign-writing are both one-offs that allow the van to make deliveries, as it was intended, beyond the current year</li> </ul> <p>OR</p> <p>explains the diesel is revenue expenditure linked to a clear explanation of a reason.</p> |

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| <b>Excellence</b> | <b>E7</b> | <p>ONE of:</p> <ul style="list-style-type: none"> <li>• explains that <i>Toptronics</i> is a going concern, because the sales growth shows the business is a success / growing, and this is why there is no intention to liquidate, ie continue to sell electrical goods</li> </ul> <p>AND</p> <p>that employees feel secure, and because of this, they ask for wage increases (or some other valid reason why 'going concern' is important to employees)</p> <ul style="list-style-type: none"> <li>• explains the purchase of the new delivery van will be reported at \$84 000 because the cost and sign-writing are both one-offs that allow the van to make deliveries, as it was intended, beyond the current year</li> </ul> <p>AND</p> <p>explains the diesel is revenue expenditure linked to a clear explanation of a reason.</p> |
|                   | <b>E8</b> | <p>TWO of:</p> <ul style="list-style-type: none"> <li>• explains that <i>Toptronics</i> is a going concern, because the sales growth shows the business is a success / growing, and this is why there is no intention to liquidate, ie continue to sell electrical goods</li> </ul> <p>AND</p> <p>that employees feel secure, and because of this, they ask for wage increases (or some other valid reason why 'going concern' is important to employees)</p> <ul style="list-style-type: none"> <li>• explains the purchase of the new delivery van will be reported at \$84 000 because the cost and sign-writing are both one-offs that allow the van to make deliveries, as it was intended, beyond the current year</li> </ul> <p>AND</p> <p>explains the diesel is revenue expenditure linked to a clear explanation of a reason.</p> |

**Judgement Statement**

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