

## Assessment Report

# Level 2 Accounting 2017

Standards [91174](#) [91176](#) [91177](#)

### Part A: Commentary

Candidates who engaged with the context of the questions were better placed to demonstrate understanding of accounting concepts, processes, financial statements and their interpretation.

Candidates who provided only generic responses to part or all of a question were not able to demonstrate a level of understanding equivalent to Level 7 of the New Zealand curriculum – NCEA Level 2.

### Part B: Report on standards

#### **91174: Demonstrate understanding of accounting concepts for an entity that operates accounting subsystems**

Candidates who were awarded **Achievement** commonly:

- related their answers to the context of each question.

Candidates who were assessed as **Not Achieved** commonly:

- wrote definitions with no link to context
- provided only partial answers to questions.

Candidates who were awarded **Achievement with Merit** commonly:

- used the context to provide detail in their evidence
- understood the nature of depreciation as an allocation of cost rather than as a measure of value.

Candidates who were awarded **Achievement with Excellence** commonly:

- integrated the context into their evidence
- linked the concepts to reporting in financial statements and decision making in the context of the business
- linked depreciation to the characteristic of relevance understanding the nature of a carrying amount
- applied materiality in context to future decision making.

#### **Standard specific comments**

Candidates are encouraged to read the whole question before beginning their answer

Candidates who fully engage with the context and understand the link between concepts, financial reporting and decision-making are better placed to demonstrate in-depth/comprehensive understanding.

Candidates who provided only generic responses to part or all of a question were not able to demonstrate a level of understanding equivalent to Level 7 of the New Zealand curriculum – NCEA Level 2.

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## **91176: Prepare financial information for an entity that operates accounting subsystems**

Candidates who were awarded **Achievement** commonly:

- classified most items correctly in the Income Statement, Cash Flow Statement and Statement of Financial Position extract
- entered the Cost, Accumulated Depreciation
- completed straightforward balance day adjustment entries correctly including sales wages, straight line depreciation, dividends owing and income in advance
- included one or two foreign items, such as the Term Deposit in the Income Statement and the drawings of inventory in the Cash Flow Statement.

Candidates who were assessed as **Not Achieved** commonly:

- misclassified or omitted a large number of expenses in the Income Statement
- included a number of foreign items in the Income Statement and/or Cash Flow Statement
- had most accounting entries back to front
- left parts of, or whole questions blank, particularly the Statement of Financial Position extract.

Candidates who were awarded **Achievement with Merit** commonly:

- classified expense items correctly in the income statement, with the exception of website running costs
- included Landscaping Design fees in their calculation of gross profit
- calculated most adjustments across the paper correctly except for the complex advertising adjustment and the disposal entry in the PPE note
- completed most balance day adjustment accounting entries correctly except the journal entry to close the income statement and the GST general ledger account
- correctly calculated the cash paid to suppliers in the cash flow statement
- understood that the closing carrying amounts in the PPE note needed to be equal
- included no more than one foreign item in their cash flow statement
- correctly identified the liabilities for the Statement of Financial Position extract, with some errors in calculating Accounts Payable and/or Accrued Expense.

Candidates who were awarded **Achievement with Excellence** commonly:

- correctly calculated and labelled the gross profit and profit for the year in the Income Statement making it fit for purpose
- correctly classified expenses
- correctly calculated the complex adjustments
- completed the closing entries correctly throughout the paper

- entered only cash payment items in the Cash Flow Statement making it fit for purpose
- completed the PPE note accurately, including the complex calculations
- completed the Statement of Financial Position Statement extract and note without error.

### Standard specific comments

Candidates need to read the additional information provided about the nature of the business they are preparing the financial statements for as this provides guidance for correct classification of items within the financial statements. Many candidates for example in 2017 did not read the statement “Garden4eva is a garden supply retail shop that also sells online from its website”. This meant they incorrectly classified the website expense as an administrative expense rather than, correctly, as a distribution cost – the most common error in the Income Statement across all candidates in this standard.

Explanatory note 4 of the standard requires that the financial statements prepared are for the owner of the entity. The owner needs the financial statements to make decisions regarding the entity, hence the financial statements must be ‘fit for purpose’.

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## 91177: Interpret accounting information for entities that operate accounting subsystems

Candidates who were awarded **Achievement** commonly:

- calculated straightforward analysis measures accurately
- used some context in their description and explanation of the analysis measures.

Candidates who were assessed as **Not Achieved** commonly:

- provided only generic responses to the questions with little or no engagement with the context
- used non-accounting terminology such as owned instead of financed when explaining the equity ratio
- attempted calculations but made a minimal attempt to answer the written tasks.

Candidates who were awarded **Achievement with Merit** commonly:

- incorporated the context into most of their explanations
- linked their explanations to the calculated figures.

Candidates who were awarded **Achievement with Excellence** commonly:

- incorporated the context into all of their explanations
- linked explanations to calculated figures and to different analysis measures
- explained how a business decision had flow on effects to analysis measures and future decisions.

### Standard specific comments

Candidates who engaged with the context of Pita Delights and understood that this business was a cash sales only business were able to provide evidence that met the requirements of the standard at Achievement, Merit and Excellence levels.

Candidates are encouraged to read the whole question before beginning to write their answers.

Candidates familiar with the meaning of the analysis measures, the links between the analysis measures and why a businesses owner should calculate, and understand the significance of the analysis measures for making future business decisions, are able to write comprehensively.

## **Accounting subject page**

### **Previous years' reports**

[2016 \(PDF, 0KB\)](#)

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