

# Assessment Report

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## Level 2 Accounting 2018

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

## Part A: Commentary

Candidates who engaged with the context of each examination were able to write valid responses and understand the requirements of the examination.

## Part B: Report on standards

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

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Candidates who were awarded **Achievement** commonly:

- described relevant concepts with some reference to the context of each question.

Candidates whose work was assessed as **Not Achieved** commonly:

- described concepts with no reference to context
- used colloquial rather than accounting language.

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

- explained relevant concepts, engaging with the context of each question
- linked detail provided in the resource material to the concepts and financial elements.

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

- fully engaged with the context of a motel and effectively used detail from the resource material to explain the relevant concepts, financial elements and qualitative characteristics
- understood the links between concepts, reporting of financial elements and qualitative characteristics of financial information necessary for decision making.

### **Standard specific comments**

Candidates who read and understood the context and the links between concepts, financial elements and qualitative characteristics were able to demonstrate an in-depth or comprehensive understanding.

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

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Candidates who were awarded **Achievement** commonly:

- completed the general journal entries for the prepayment and accrued expense
- entered balances in the general ledger accounts
- correctly adjusted the trial balance for adjustments where the figure was provided
- attempted the financial statements but omitted some items/incorrectly included irrelevant or foreign items
- reversed the opening and closing accounts payable balances in their calculation of cash paid to accounts payable.

Candidates whose work was assessed as **Not Achieved** commonly:

- confused general journal and general ledger entries
- completed financial statements without addressing the adjustments
- completed financial statements without demonstrating understanding of the purpose of the financial statement or financial statement extract.

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

- correctly adjusted the trial balance for adjustments where the figure required a calculation
- completed general journal and general ledger entries, but closed the asset accounts
- completed the financial statements but added irrelevant information such as breakfast sales in the income statement and allowance for doubtful debts in the current liabilities, rendering the statements not fit for purpose
- understood that cash paid to accounts payable is calculated using invoices received / credit purchases / credit notes received
- could distinguish between the opening and closing accounts payable balances.

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

- correctly adjusted the trial balance for adjustments where the figure required a two-step calculation
- accurately completed general journal and general ledger entries, not closing the asset accounts

- understood the link between general journal and general ledger entries
- completed financial statements /extracts that were fit for purpose
- understood the full process for calculating cash paid to accounts payable.

### Standard specific comments

The standard requires students to prepare financial statements / financial statement extracts that are fit for purpose. Candidates need to be familiar with both service firms and trading firms in order to demonstrate an in-depth or comprehensive understanding of financial statements that are fit for purpose. Fit-for-purpose financial statements will meet the needs of the specific business so, for example, a website used predominantly for advertising and booking for a motel is a motel operating expense. The Accounts Receivable note requires a figure to be calculated from Accounts Receivable less Allowance for doubtful debts so this figure can be entered in the Statement of Financial Position. Adding bad debts to the calculation does not make it fit for purpose.

Candidates should be exposed to a wide range of trading and service businesses to ensure they can distinguish between them when preparing fit-for-purpose financial statements, for example a service operation does not have a gross profit.

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

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Candidates who were awarded **Achievement** commonly:

- described analysis measures with some reference to the figures and resource material
- described a trend in an analysis measure
- gave a reason for a change in an analysis measure.

Candidates whose work was assessed as **Not Achieved** commonly:

- described analysis measures without reference to the context or the figures provided or calculated

- restated the formula instead of describing the analysis measures.

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

- explained analysis measures using the figures provided or calculated and detail from the resource material
- made links between analysis measures and the resource material for each business for example linked GoSki's ski gear clearance sale to cheaper prices and a lower mark-up percentage.

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

- justified analysis measures and changes in analysis measures using figures provided/calculated and comprehensive detail from the resource material for each business
- were able to explain the links both backwards and forwards between analysis measures and business decisions. For example:
- backwards – how the equity ratio and the liquid ratio justified Billy's father's decision to lend money to GoSail
- forwards – how including a bike hire option would improve the cash flow of GoBike in terms of improving its current ratio, clearing its bank overdraft and meeting its obligations to pay current debts.

### **Standard specific comments**

Candidates need to understand the links between analysis measures and exactly what they are measuring.

For example:

- the different time frames related to the current and liquid ratios are important
- the difference between financial stability as measured by the equity ratio and liquidity or ability to meet debts as measure by the current / liquid ratios
- the link between mark-up and gross profit percentages
- that inventory turnover measures the rate at which on average inventory is sold.

Candidates also need to understand that the nature of the business will determine the level of some ratios / percentages.

For example:

- a business with 'four seasons' could be expected to have an inventory turnover around 4 times per annum
- a cash sales service business may have a relatively low current ratio as it has little / no inventory.

## [Accounting subject page](#)

### Previous years' reports

[2017 \(PDF, 46KB\)](#)

[2016 \(PDF, 213KB\)](#)