Assessment Report

On this page

[90976: Demonstrate understanding of accounting concepts for small entities](#) ▾

[90978: Prepare financial statements for sole proprietors](#) ▾

[90980: Interpret accounting information for sole proprietors](#) ▾

Level 1 Accounting 2019

Standards [90976](#) [90978](#) [90980](#)

Part A: Commentary

The Level 1 Accounting examination focuses on sole proprietor trading and/or service businesses. It is important that candidates spend time acquainting themselves with the type of entity being examined in each paper by reading the resource material carefully.

Students must read all the resource information for each standard and carefully follow the instructions. For example: label the cash surplus or deficit, do not use abbreviations, and so on.

Those candidates who used and integrated the resource material well, and answered all the questions in the relevant paper, achieved higher grades than those who didn't.

Candidates need to be familiar with the achievement standard explanatory notes and the accounting appendix (http://ncea.tki.org.nz/Resources-for-Internally-Assessed-Achievement-Standards/Social-sciences/Accounting/Level-1-Accounting/Related-resources).

Part B: Report on standards

90976: Demonstrate understanding of accounting concepts for small entities

Candidates who were awarded **Achievement** commonly:

- described definitions of concepts and financial elements

- recognised the liabilities and/or calculated equity correctly

- described the effects of a transaction on the financial elements.

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

- provided an incomplete definition, or an accurate definition for the wrong concept.

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

- explained their answers in context for *Cycle Supreme*

- used the information in the resource material provided

- explained the characteristics of the financial elements and the accounting concepts by referring to specifics e.g. the account name, dollar amounts, classification when relevant, the appropriate financial statement.

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

- applied definitions they had learnt to the resource material in order to demonstrate a comprehensive understanding of financial elements and accounting concepts

- integrated the repairing, or selling, of bikes where relevant to ensure accurate context

- explained fully that the $950 interest owing on mortgage is reported as an expense in the income statement for this year

- explained fully how the $850 bike is taken for personal use and is reported in the statement of financial position as drawings.

Standard-specific comments

Candidates who integrated the resource material in their answers achieved higher marks than those who wrote an accurate definition with the business name included.

The use of context is vital in answering to a high level. This includes the dollar figures, the specific name of the financial statement being affected, reference to the business activity (in this case repairing and selling bikes), and the impact on the business (*Cycle Supreme*).

90978: Prepare financial statements for sole proprietors

Candidates who were awarded **Achievement** commonly:

- classified income and expenses in the income statement

- classified assets and liabilities in the statement of financial position

- used abbreviated account names

- completed the property plant and equipment table

- distinguished between estimated receipts and payments in the cash budget

- established an accurate 'stem' in the cash budget from the information provided

- included foreign items in the various statements.

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

- could not classify income and expenses within an income statement

- could not classify assets and liabilities within a statement of financial position

- included several foreign items

- used incorrect headings or had no headings at all

- used incorrect stems or account names

- left large gaps or partially completed questions.

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

- reported many of the balance day adjustments correctly

- had a small number of foreign items across the paper

- distinguished most of the cash and non-cash items in the cash budget

- correctly classified most revenue and expense items using the headings provided when appropriate

- correctly classified most assets and liabilities in the statement of financial position

- used full account names in the cash budget and financial statements.

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

- calculated and reported balance day adjustments correctly

- prepared accurately classified financial statements without foreign items

- had no detracting errors in their financial statements e.g. including gross profit in the income statement for a service entity

- comprehensively prepared the cash budget, recognising nearly all cash and non-cash items

- correctly identified and reported the cash surplus in the cash budget and accurately subtracted the opening overdraft balance to calculate and label the closing bank balance

- used the resource in the trial balance to accurately classify the loan and various expenses.

Standard-specific comments

Candidates should be encouraged to write answers clearly and check their calculations. Many used abbreviated account names or headings, despite the 'do not abbreviate' instruction.

Candidates need to learn the heading layouts of the income statement for both trading (retail) and service entities and know when to use which layout. They should also use the account names provided.

The quality of the cash budget has improved, with more candidates completing the bottom section with accurate labels and treatment. The account names used in the cash budget has also improved with candidates using accurate account names.

90980: Interpret accounting information for sole proprietors

Candidates who were awarded **Achievement** commonly:

- calculated the analysis measures correctly

- described the analysis measure result using the definition without context

- described a valid reason for the trend.

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

- calculated some of the analysis measures accurately

- muddled up the analysis measure meanings

- left large gaps in questions

- provided rote-learned answers that were not appropriate for *Mobile World* given the resource information and question asked.

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

- understood what the +17.5% percentage change in sale meant for *Mobile World*

- explained the meaning of the liquid ratio of 1.63:1

- explained reasons for the trends for *Mobile World* by providing details of what happened based on information the resource, and explaining the impact on the accounts affected and classifications

- made valid recommendations detailing what needs to happen to improve the analysis measure, relevant for *Mobile World*.

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

- took time to read and understand the business, and clearly integrated the resource material in their explanations

- fully explained valid reasons for the trends, detailing what happened (e.g. an event, transaction) and the impact on the account(s), classification(s) and analysis measure

- fully explained the reasons for trends and recommendations by considering answering all requirements of the question (e.g. impact on sales, impact on

profit)

- understood that gross profit percentage and mark-up was about the relationship between cost price and selling price

- provided evidence to support their answers (data, figures, calculations)

- fully justified the recommendation to improve an analysis measure by taking into consideration the resource, type of entity, the impact on the account(s) and classification(s) and analysis measure.

Standard-specific comments

It is important that candidates read the resource material carefully and become familiar with the entity being examined before answering the questions.

For merit, a reason for a trend explained must provide the details of what specifically happened and how this would impact on the accounts to create the trend. For recommendations, the same technique should be used, except for a future event, as opposed to a past event.

For excellence, candidates need to fully explain their thinking and justification, including linking the event to the account name, to the classificatio,n and to the analysis measure. Data and evidence should be included, if available, in the explanation.

Accounting subject page

Previous years' reports

2018 (PDF, 120KB)

2017 (PDF, 47KB)

2016 (PDF, 213KB)