Stage 1 Accounting

assessment type 1: ACCOUNTING SKILLS TASK 1

**Focus Area: Understanding Financial Sustainability**

**Purpose**

Demonstrate and apply accounting concepts and conventions to create accounting information.

Use appropriate accounting terminology to communication accounting information.

**Description of assessment**

Using unseen data, prepare a balance sheet, statement of changes in equity and income statement. Explain how accounting concepts have impacted the preparation of these accounting reports, and what a change in ownership structure might mean for the business.

**Assessment conditions**.

Completed under supervised conditions over two lessons. Maximum 800 words.

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| ***Learning Requirements*** | ***Assessment Design Criteria*** |
| 1. Understand the role of accounting in decision-making
2. Understand and explore accounting concepts and conventions
3. Apply accounting concepts and conventions to create accounting information
4. Understand the accounting information needs of a range of stakeholders
5. Explore the use of, apply, and analyse accounting information in business, personal, and/or cultural contexts
6. Apply communication skills in an accounting context
 | **Understanding and Exploration**The specific features are as follows:* UE1 Understanding of the role of accounting in decision-making
* UE2 Understanding and exploration of accounting concepts and conventions
* UE3 Exploration of the use of accounting information in business, personal and/or cultural contexts.
* UE4 Understanding the accounting information needs of a range of stakeholders.

**Application**The specific features are as follows:* Ap1 Application of accounting concepts and conventions to create accounting information
* Ap 2 Application and analysis of accounting information in business, personal, and/or cultural contexts
* Ap 3 Application of communication skills in an accounting context.
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Performance Standards for Stage 1 Accounting

| - | Understanding and Exploration | Application |
| --- | --- | --- |
| A | In-depth understanding of the role of accounting in decision-making.Insightful understanding and exploration of accounting concepts and conventions.Comprehensive exploration of the use of accounting information in business, personal, and/or cultural contexts.Perceptive understanding of the accounting information needs of a range of stakeholders. | Comprehensive application of accounting concepts and conventions to create highly appropriate accounting information.Thorough application and analysis of accounting information in business, personal, and/or cultural contexts.Highly effective application of communication skills in an accounting context. |
| B | Detailed understanding of the role of accounting in decision-making.Well-informed understanding and capable exploration of accounting concepts and conventions.Well-considered exploration of the use of accounting information in business, personal, and/or cultural contexts.Mostly perceptive understanding of the accounting information needs of a range of stakeholders. | Well-considered application of accounting concepts and conventions to create appropriate accounting information.Mostly thorough application and analysis of accounting information in business, personal, and/or cultural contexts.Effective application of communication skills in an accounting context. |
| C | Competent understanding of the role of accounting in decision-making.Informed understanding and exploration of accounting concepts and conventions.Considered exploration of the use of accounting information in business, personal, and/or cultural contexts.Informed understanding of the accounting information needs of a range of stakeholders. | Considered application of accounting concepts and conventions to create accounting information.Competent application and analysis of accounting information in business, personal, and/or cultural contexts.Application of communication skills in an accounting context. |
| D | Some understanding of the role of accounting in decision-making.Basic understanding and exploration of accounting concepts and conventions.Some exploration of the use of accounting information in business, personal, and/or cultural contexts.Basic understanding of the accounting information needs of a range of stakeholders. | Inconsistent application of accounting concepts and conventions to create basic accounting information.Basic application of accounting information in business, personal, and/or cultural contexts.Inconsistent application of communication skills in an accounting context. |
| E | Limited recognition of the role of accounting in decision-making.Emerging awareness of accounting concepts and conventions.Attempted exploration of the use of accounting information in business, personal, and/or cultural contexts.Emerging understanding of the accounting information needs of a range of stakeholders. | Attempted application of accounting concepts and conventions to create basic accounting information.Attempted application of accounting information in business, personal, and/or cultural contexts.Limited application of communication skills in an accounting context. |

**Task**

Your Accounting firm has been approached by Mr. L. Fred to ***produce*** the financial records of his business “Fred’s Flowers”. He is the **sole owner** of this business. Mr Fred has received an offer from an associate, Mr D. Swain, to go into business as a private company, and purchase a newsagency together. This would mean selling his flower shop.

You have been asked to:

* Produce an Income Statement, statement of changes in equity and Balance Sheet from the figures provided.
* Explain to Mr Fred how the following accounting concepts have impacted the preparation of the accounting reports for Fred’s Flowers:
	+ Accounting entity
	+ Legal entity
	+ Consistency
	+ Duality
	+ Faithful representation
* Explain to Mr Fred how going into business with Mr D Swaine as a private company might impact the above accounting concepts and future accounting reports, outlining the advantages and disadvantages for him.
* Outline the advantages and disadvantages of moving from a sole trader to a private company for Mr Fred.

Submit your financial reports and accompanying explanation in a formal report to Mr Fred.

**Fred’s Flowers**

**Trial Balance as at June 30 2018**

|  |  |  |
| --- | --- | --- |
| **Account** | **DR** | **CR** |
| Advertising | 12450 |  |
| Bad Debts | 400 |  |
| Building | 175000 |  |
| Capital – L Fred |  | 180000 |
| Cash at Bank | 4200 |  |
| Cash on Hand | 190 |  |
| Commission Received |  | 16400 |
| Creditors |  | 12500 |
| Debtors | 21600 |  |
| Delivery Van | 46000 |  |
| Delivery Van Expenses | 7420 |  |
| Drawings | 26500 |  |
| Freight Inwards | 2500 |  |
| Insurance | 5200 |  |
| Interest on Mortgage | 17600 |  |
| Loan (due in 9 months) |  | 7500 |
| Mortgage |  | 47690 |
| Office Staff Wages | 37200 |  |
| Opening Stock | 25400 |  |
| Purchases | 123600 |  |
| Purchases Returns |  | 16700 |
| Rates and Taxes | 4400 |  |
| Sales |  | 330000 |
| Sales Returns | 21900 |  |
| Sales Staff Wages | 46300 |  |
| Shop Equipment | 32000 |  |
| Telephone Expenses | 930 |  |
|  |  |  |
|  | 610790 | 610790 |

A stocktake was carried out on June 30 and the Closing Stock was
valued at $19,400