



FNSACC414

ASSESSOR GUIDE

# Prepare financial statements for non-reporting entities

## Assessment 1 of 3

Short answer questions



## Assessment Instructions

### Task overview

This assessment task consists of seven (7) short answer questions. Read each question carefully before typing your response in the space provided.

### Additional resources and supporting documents

To complete this assessment, you will need the following:

- Access to your learning materials
- Access to a computer and internet
- Access to Microsoft Word (or a similar program)



## Assessment Information

### Submission

You are entitled to three (3) attempts to complete this assessment satisfactorily. Incomplete assessments will not be marked and will count as one of your three attempts.

All questions must be responded to correctly to be assessed as satisfactory for this assessment.

Answers must be typed into the space provided and submitted electronically via the LMS. Hand-written assessments will not be accepted unless previously arranged with your assessor.

### Reasonable adjustment

Students may request a reasonable adjustment for assessment tasks.

Reasonable adjustment usually involves varying:

1. the processes for conducting the assessment (e.g., allowing additional time)
2. the evidence gathering techniques (e.g., oral rather than written questioning, use of a scribe, modifications to equipment)

However, the evidence collected must allow the student to demonstrate all requirements of the unit.

Refer to the Student Handbook or contact your Trainer for further information.



Please consider the environment before printing this assessment.

## Short Answer Questions

### Question 1

Describe the features that characterise non-reporting entities and reporting entities. List two examples each of a non-reporting entity and a reporting entity.

(Approximate word count: 30 to 50 words each)

#### Assessor instructions:

The student must list two differences between non-reporting entities and reporting entities.

A sample answer that could be provided is shown below; however, student wording will vary.

<p><b>Non-Reporting</b> <i>(Approximate word count: 30 to 50 words)</i></p>	<p>For satisfactory performance, although the wording will vary slightly, student responses must be the following (in no particular order):</p> <ul style="list-style-type: none"><li>▪ Non-Reporting entities must prepare and submit to the Australian Securities and Investments Commission (ASIC) Special Purpose Financial Statements in compliance with the limited accounting standards applicable to them.</li><li>▪ Non-Reporting entities include:<ul style="list-style-type: none"><li>○ Not for Profit Organisations</li><li>○ Charities</li><li>○ Sole proprietorship businesses</li><li>○ Firms</li></ul></li></ul>
<p><b>Reporting entities</b> <i>(Approximate word count: 30 to 50 words)</i></p>	<p>For satisfactory performance, although the wording will vary slightly, student responses must be the following (in no particular order):</p> <ul style="list-style-type: none"><li>▪ Reporting entities are required to prepare and submit General Purpose Financial Statements to ASIC.</li><li>▪ Reporting entities include:<ul style="list-style-type: none"><li>○ All disclosing entities</li><li>○ Public companies</li><li>○ Companies limited by guarantee (except small companies limited by guarantee)</li><li>○ All large proprietary companies that are not disclosing entities</li><li>○ All registered managed investment schemes</li><li>○ Small proprietary companies that are foreign controlled.</li></ul></li></ul>

### Question 2

Outline two of the key characteristics of the non-reporting entities listed below

- i. Not-for-profit organisation
- ii. Charity

[Approximate word count: 30 to 50 words each]

**Assessor instructions:**

The student must outline two of the key characteristics of the non-reporting entities listed.

- i. Key characteristics

Responses will vary. For satisfactory performance, the student's response must be:

- Consistent with the non-reporting entity identified
- A specific feature of the non-reporting entity enables it to meet the definition of a non-reporting entity, i.e., that it is not a reporting entity as defined by ASIC.

A sample answer that could be provided is shown below; however, student wording will vary.

Non-Reporting Entity	Key Characteristics
<p><b>i. Not-for-profit organisation</b>  <i>[Approximate word count: 30 to 50 words]</i></p>	<p>a. b.</p> <p>Only two are needed:</p> <ul style="list-style-type: none"> <li>▪ A not-for-profit organisation does not operate for the profit, personal gain, or other benefit of its members, either during its operation or if it closes down.</li> <li>▪ Any profit made by a not-for-profit organisation is used to further the aims of the organisation</li> <li>▪ All profits are put back into the organisation to continue to pay for its activities and to achieve its aims.</li> <li>▪ A not-for-profit can provide direct benefits (for example, distributing money or gifts) or indirect benefits (for example, a member receiving help that is consistent with the not-for-profit's purpose).</li> </ul> <p>Other responses are acceptable as long as they are specific features of a not-for-profit organisation that enables it to meet the definition of a non-reporting entity.</p>
<p><b>ii. Charity</b>  <i>[Approximate word count: 30 to 50 words]</i></p>	<p>a. b.</p> <p>Only two are needed:</p> <ul style="list-style-type: none"> <li>▪ A charity is a not-for-profit organisation.</li> <li>▪ It has only charitable purposes that are for the public benefit.</li> <li>▪ It must not have a disqualifying purpose.</li> <li>▪ It must not be an individual, a political party or a government entity.</li> </ul>

Non-Reporting Entity	Key Characteristics
	Other responses are acceptable as long as they are specific features of a charity that enable it to meet the definition of a non-reporting entity.

### Question 3

Describe the purpose of preparing financial statements for non-reporting entities under Chapter 2M of the [Corporations Act 2001](#).

(Approximate word count: 30 to 50 words)

#### Assessor instructions:

The student must describe the purpose of preparing financial statements for non-reporting entities.

For satisfactory performance, the student's response must be

- an explanation of why financial statements must be prepared for non-reporting financial entities
- consistent with the information found in Chapter 2M of the Corporations Act 2001.

A sample answer that could be provided is shown below; however, student wording will vary.

The purpose of preparing financial statements for non-reporting entities, under Chapter 2M of the Corporations Act 2001, is to comply with the recognition and measurement requirements of accounting standards.

### Question 4

Answer the two questions below using the information detailed in the clauses of:

- [A New Tax System \(Goods and Services Tax\) Act 1999](#) related to taxable transactions.

**List two taxable transactions described payable by a business.**

- [Corporations Act 2001](#) related to reporting requirements.

**List two financial information that must be reported to a regulatory body.**

(Approximate word count: 5 to 25 words each)

#### Assessor instructions:

A sample answer that could be provided is shown below; however, student wording will vary.

Legislative Requirements	Key Features of Legislation
<ol style="list-style-type: none"> <li><i>A New Tax System (Goods and Services Tax) Act 1999</i> related to taxable transactions</li> </ol> <p><b>List two taxable transactions described payable by a business.</b></p>	<p>Responses may vary. For satisfactory performance, the students can include two to the following model answers are provided below for the assessor's reference:</p> <ul style="list-style-type: none"> <li>▪ A clause in the <i>A New Tax System (Goods and Services Tax) Act 1999</i> that states guidelines or rules on financial activities for which tax is payable by the business.</li> </ul>

(Approximate word count: 50 words)

- These include taxable transactions-related matters for example:
  - Types of supplies
  - Business operations
  - Paying taxes
- Section 9-5 of the GST Act, which provides:

You make a taxable supply if:

  - [a] You make the supply for consideration; and
  - [b] The supply is made in the course or furtherance of an enterprise that you carry on; and
  - [c] The supply is connected with Australia; and
  - [d] You are registered or required to be registered.

However, the supply is not a taxable supply to the extent that it is GST-free or input taxed.'
- Section 9-10 of the GST Act, which provides:
  - [1] A supply is any form of supply whatsoever.
  - [2] Without limiting subsection [1], supply includes any of these:
    - [a] A supply of goods.
    - [b] A supply of services.
    - [c] A provision of advice or information.
    - [d] A grant, assignment or surrender of real property.
    - [e] A creation, grant, transfer, assignment or surrender of any right.
    - [f] A financial supply.
    - [g] An entry into, or release from, an obligation:
      - [i] To do anything; or
      - [ii] To refrain from an act; or
      - [iii] To tolerate an act or situation.
    - [h] Any combination of any two or more of the matters referred to in paragraphs [a] to [g].

ii. *Corporations Act 2001* related to reporting requirements

Responses may vary. For satisfactory performance, the student's response must be:

- A clause in the *Corporations Act 2001* states guidelines or rules on financial information that must be reported to a regulatory body.

**List two financial information that must be reported to a regulatory body.**

*(Approximate word count: 50 words)*

- These include financial reporting requirements-related matters, for example:
  - Types of supplies
  - Business operations
  - Paying taxes

Model answers are provided below for the assessor's reference:

- Part 2M.3 Clause 295 (1) of the Corporations Act provides:  
295 Contents of annual financial report

Basic contents

[1] The financial report for a financial year consists of the following:

- (a) The financial statements for the year; and
- (b) The notes to the financial statements; and
- (c) The directors' declaration about the statements and notes.

- Part 2M.3 Clause 295 (3) of the Corporations Act provides:

[3] The notes to the financial statements are:

- (a) Disclosures required by the regulations; and
- (b) Notes required by the accounting standards; and

(c) Any other information necessary to give a true and fair view (see section 297).

### Question 5

Describe one advantage and one disadvantage of each listed financial analysis technique.

- i. Financial ratios
- ii. Comparison techniques

(Approximate word count: 15 to 30 words each)

#### Assessor instructions:

The student must describe one advantage and one disadvantage of each listed financial analysis technique.

- Advantages:

Responses will vary. For satisfactory performance, the student's response must be a benefit that the financial analysis technique provides to the user.

- Disadvantages:

Responses will vary. For satisfactory performance, the student's response must be a limitation of using the financial analysis technique.

A sample answer that could be provided is shown below; however, student wording will vary.

Financial Analysis Technique	Advantage	Disadvantage
<p><b>i. Financial ratios</b></p> <p><i>(Approximate word count: 15 to 30 words each)</i></p>	<p>Only one is required:</p> <ul style="list-style-type: none"> <li>▪ Financial ratios assist in drawing trends and subsequent analysis, thus playing a pivotal role in making forecasts and setting goals.</li> <li>▪ By assisting in forecasting performance, financial ratios also help in budgeting.</li> <li>▪ Financial ratios help in the estimation of the operational efficiency of the entity.</li> <li>▪ Financial ratios facilitate the comparison of the financial performance of two or more entities.</li> <li>▪ Financial ratios assist in the determination of liquidity as well as the long-term solvency of the entity.</li> </ul> <p>Other responses are acceptable as long as they are benefits that financial ratios provide to the user.</p>	<p>Only one is required:</p> <ul style="list-style-type: none"> <li>▪ Financial ratios do not factor in the non-financial factors having an impact on the performance of a business entity.</li> <li>▪ In cases where there is a change in accounting policies and assumptions, financial ratios will not lead to reliable conclusions due to the non-comparability of data.</li> <li>▪ Financial ratios help set the trend using historical and current financial information; however, there is little scope for predicting future financial positions.</li> <li>▪ The computation of financial ratios does not provide any value to the users of financial statements. Only upon analysis and use of the analysis to take business decisions do financial ratios offer value addition to the entity.</li> </ul> <p>Other responses are acceptable as long as they are limitations of using financial ratios.</p>
<p><b>ii. Comparison techniques</b></p> <p><i>(Approximate word count: 15 to 30 words each)</i></p>	<p>Only one is required:</p> <ul style="list-style-type: none"> <li>▪ Comparison techniques are simple to implement and easy to understand.</li> <li>▪ They help in comparing the financial data of companies between different time periods.</li> <li>▪ They help in identifying where companies have invested their resources.</li> <li>▪ They help in understanding the percentage (share) of individual line items.</li> </ul>	<p>Only one is required:</p> <ul style="list-style-type: none"> <li>▪ Comparison techniques do not aid firm decision-making since there are no standard benchmarks for comparison.</li> <li>▪ They do not follow any specific accounting concepts or conventions.</li> <li>▪ They can be misleading if comparisons are made for different incomparable periods.</li> </ul> <p>Other responses are acceptable as long as they are limitations of using comparison techniques.</p>



	Other responses are acceptable as long as they are benefits that comparison techniques provide to the user.	
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## Question 6

Describe one advantage and one disadvantage of each listed method of presenting financial data.

- i. Charting
- ii. Infographics

[Approximate word count: 20 to words each]

### Assessor instructions:

The student must describe one advantage and one disadvantage of each listed method of presenting financial data.

- Advantages:

Responses will vary. For satisfactory performance, the student's response must be a benefit that the method of presenting financial data provides to the user.

- Disadvantages:

Responses will vary. For satisfactory performance, the student's response must be a limitation of using the method of presenting financial data.

A sample answer that could be provided is shown below; however, student wording will vary.

Method of Presenting Financial Data	Advantage	Disadvantage
<p><b>i. Charting</b></p> <p><i>[Approximate word count: 10 to 20 words each]</i></p>	<p>Only one is required:</p> <ul style="list-style-type: none"> <li>▪ Charting helps summarise a large dataset in visual form.</li> <li>▪ Charting helps easily compare two or three data sets.</li> <li>▪ Charting helps estimate key values at a glance.</li> </ul> <p>Other responses are acceptable as long as they are benefits that charting provides to the user.</p>	<p>Only one is required:</p> <ul style="list-style-type: none"> <li>▪ Charting requires additional written or verbal explanation.</li> <li>▪ Charting can manipulate data and make them look more favourable than they are.</li> </ul> <p>Other responses are acceptable as long as they are limitations of charting.</p>
<p><b>ii. Infographics</b></p> <p><i>[Approximate word count: 10 to 20 words each]</i></p>	<p>Only one is required:</p> <ul style="list-style-type: none"> <li>▪ Infographics turn complicated information into visual graphics that are easy to understand.</li> </ul>	<p>Only one is required:</p> <ul style="list-style-type: none"> <li>▪ Infographics can be time-consuming to design.</li> <li>▪ The information on an infographic can be</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Infographics make the presented information easier to retain.</li> <li>▪ Infographics catch the eye of the reader.</li> </ul> <p>Other responses are acceptable as long as they are benefits that using infographics provides to the user.</p>	<p>misinterpreted since there are no detailed descriptions.</p> <ul style="list-style-type: none"> <li>▪ Infographics can contain a lot of data and can cause data overload.</li> </ul> <p>Other responses are acceptable as long as they are limitations of using infographics.</p>
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### Question 7

For each of the following, give one example of how a company's procedures for preparing financial statements for non-reporting entities handle.

- Bank reconciliation
- Open bills and orders
- Physical verification of stock
- Physical verification of fixed assets
- Provisioning, accruals, and deferrals

[Approximate word count: 10 to 20 words each]

#### Assessor instructions:

The student must give one example of how a company's procedures for preparing financial statements for non-reporting entities handle Bank reconciliation, Open bills and orders, Physical verification of stock, Physical verification of fixed assets, Provisioning, accruals, and deferrals.

A sample answer that could be provided is shown below; however, student wording will vary.

<p><b>Bank reconciliation</b> <i>[Approximate word count: 10 to 20 words]</i></p>	<p>Only one is required:</p> <ul style="list-style-type: none"> <li>▪ Ensure that the bank reconciliation is done for the end of the financial year.</li> <li>▪ Physical verification of cash</li> <li>▪ Ensure that the cash in hand is verified on the last day of the financial year and the report aligns with the cash reported in SPFS.</li> </ul> <p>Other responses are acceptable in line with a student's professional experience and the companies with which they have worked, as long as they represent a reasonable activity in the assessor's opinion.</p>
<p><b>Open bills and orders</b> <i>[Approximate word count: 10 to 20 words]</i></p>	<ul style="list-style-type: none"> <li>▪ List the open bills and orders and provide for accruals and provisions while preparing the financial statements.</li> </ul> <p>Other responses are acceptable in line with a student's professional experience and the companies with which they have worked, as long as they represent a reasonable activity in the assessor's opinion.</p>

<p><b>Physical verification of stock</b>  <i>(Approximate word count: 10 to 20 words)</i></p>	<ul style="list-style-type: none"> <li>If the entity has a policy of physically verifying stock, the stock report must be considered while preparing financial statements.</li> </ul> <p>Other responses are acceptable in line with a student's professional experience and the companies with which they have worked, as long as they represent a reasonable activity in the assessor's opinion.</p>
<p><b>Physical verification of fixed assets</b>  <i>(Approximate word count: 10 to 20 words)</i></p>	<ul style="list-style-type: none"> <li>If physical verification of fixed assets is carried out at the end of the financial year, then you must ensure that the key findings of the report are captured while preparing financial statements.</li> </ul> <p>Other responses are acceptable in line with a student's professional experience and the companies with which they have worked, as long as they represent a reasonable activity in the assessor's opinion.</p>
<p><b>Provisioning, accruals, and deferrals</b>  <i>(Approximate word count: 10 to 20 words)</i></p>	<ul style="list-style-type: none"> <li>If the entity has a policy of accruing income and expenses, i.e., recording expenses and income in the period they pertain before actually incurring/earning them, then the policy must be followed.</li> </ul> <p>Other responses are acceptable in line with a student's professional experience and the companies with which they have worked, as long as they represent a reasonable activity in the assessor's opinion.</p>

**Assessment submission checklist:**

Students must have completed all questions within this assessment before submitting. This includes:

1	Seven (7) short answer questions to be completed in the spaces provided.	<input type="checkbox"/>
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**Congratulations, you have reached the end of Assessment 1**



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