



**FNSACC421**

**ASSESSOR GUIDE**

# Prepare financial reports

## Assessment 1 of 3

### Short Answer Questions



## Assessment Details

### Task overview

This assessment task is divided into nine (9) 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:

- Access to learning materials
- Access to a computer and the internet
- Access to Microsoft Word
- Smart Books Financial Reporting Policy and Procedure

### 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:

- a. the processes for conducting the assessment (e.g. allowing additional time)
- b. 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.

### **Purpose of the Task**

This assessment requires candidates to answer written questions to demonstrate that they understand the knowledge needed for this unit.

### **Reassessment Arrangements**

If candidates answer questions in this assessment incorrectly, they must be given an appropriate time to resubmit. Candidates should only redo incorrect questions but must resubmit the entire assessment.

### **Guidance to Assessors About this Task**

Candidates can be given the opportunity to answer questions verbally if appropriate. Benchmark responses for each question have been provided.

### **Question 1**

Explain the principles of double-entry bookkeeping. (Word count: between 50-60 words)

#### **Assessor Instructions**

The candidate must explain the principles of double-entry bookkeeping. The answer provided by the candidate must reflect the exemplar answer below.

Double-entry bookkeeping principles require all financial transactions to be recorded with an entry in at least two of its general ledger accounts using debits and credits. Every debit transaction must have a corresponding credit transaction. It is used to satisfy the financial equation  $\text{Assets} = \text{Liabilities} + \text{Equity}$ .

### **Question 2**

Explain the purpose of a general journal. (Word count: between 30-40 words)

#### **Assessor Instructions**

The candidate must explain the purpose of a general journal. The answer provided by the candidate must reflect the exemplar answer below.

The general journal records business transactions that do not fit into the other special journals and adjusting and closing entries. The general journal records transactions before they are posted to the appropriate general ledger accounts.

### **Question 3**

Explain the purpose of a general ledger. (Word count: between 30-40 words)

#### **Assessor Instructions**

The candidate must explain the purpose of a general ledger. The answer provided by the candidate must reflect the exemplar answer below.

The general ledger houses a business' accounts. It provides a permanent record of all transactions throughout the business's life. The general ledger is organised into:

- Balance sheet accounts (assets, liabilities, equity)
- Income statement accounts (revenues, expenses, gains, losses).

#### Question 4

Identify which transactions you would record in the general journal and which transactions you would record in special journals.

#### Assessor Instructions

The candidate must identify which transactions they would record in the general journal and which transactions they would record in a special journal. The answers provided by the candidate must match the exemplar answer below.

Transaction	General Journal or Special Journal
Purchase of inventory on credit	Special Journal
Purchase of non-current assets on credit	General Journal
Contribution of capital and assets (excluding cash) at the commencement of business	General Journal
Payment of salaries for June	Special Journal
Depreciation for June	General Journal
Closing expense accounts at the end of the period	General Journal

#### Question 5

Identify which of the following are general ledger entries and which are general journal entries.

#### Assessor Instructions

The candidate must identify which of the images is an example of a general ledger entry and which is an example of a general journal entry. The answers provided by the candidate must match the exemplar answer below.

					GL or GJ	
30-Jun-22	5-5200	Purchases	6000.00		GJ	
	2-1330	GST Paid	600.00			
	2-1200	Creditors		6600.00		
June Credit Purchase						
Account: Stationery		Account No			611	GL
Date	Details	Ref.	Debit	Credit	Balance	
2022						
15-Jun	CPJ	J002	4000.00		4000.00	
19-Jun	CPJ	J004	3640.00		7640.00	
23-Jun	CPRJ	J006		430.00	7210.00	

Date		Account	Ref	Amount			
				Debit	Credit		
2022							
June	6	Cash		20000.00		GJ	
		Bank		5000.00			
		Bank Loan			25000.00		
		Bank Loan liability					
	8	Rent Expense		5000.00			
		GST		500.00			
		Cash			4400.00		
		Rent Payable			1100.00		
		Rent paid and outstanding					
	25	Bank		5620.00			
		Accounts Receivable - B Black			5620.00		
		Receivable collected					
Wages 611							
Date	Particulars	ref	Amount	Date	Particulars	ref	Amount
31/05/2022	CPJ		35000.00	31/05/2022	Bal c/d		35000.00
							GL

### Question 6

The following are typical accounting systems used by businesses. Briefly describe each system.

(Word count for each accounting system: between 35-45 words)

#### Assessor Instructions

The candidate must briefly describe a manual accounting system, a computerised accounting system and a cloud-based accounting system. The answer provided by the candidate must reflect the exemplar answer below.

Accounting System	
Manual Accounting System	Manual accounting systems are paper-based accounting systems in which journal and ledger registers, vouchers, and account books are used to store, classify and analyse the business's financial transactions. Small businesses, such as sole proprietors, e.g., shopkeepers, use them.
Computerised Accounting System	A computerised accounting system is an automated software program that processes a business's financial transactions as per GAAP (Generally Accepted Accounting Principles) to produce reports.
Cloud-Based Accounting System	A cloud-based accounting system is a computerised accounting system that stores financial data in the cloud. This software is hosted on a remote server that can be accessed via the internet or other networks provided by a cloud application service provider.

## Question 7

Below is a list of the relevant legislation, regulations, standards and codes of practice. Briefly explain how each impacts the preparation of financial reports.

### Assessor Instructions

The candidate must briefly explain how the:

- Privacy Act 1988.
- ASIC RG43 Financial reports and audit relief
- ASIC RG68 New financial reporting and procedural requirements
- AASB 108
- AASB 1034
- Institute of Certified Bookkeepers Code of Professional Conduct
- ePayments Code

impact on the preparation of financial reports. The answer provided by the candidate must reflect the exemplar answer below.

Legislation	Impact on the preparation of financial reports
Privacy Act 1988 (Word count: between 110-120 words)	<p>The key features of the Privacy Act include the 13 APPs, which govern how personal information is collected, used, disclosed and stored.</p> <p>Personal Information means information that can be associated with a specific person and used to identify that person.</p> <p>When preparing financial reports, Australian Privacy Principle 3 prohibits collecting and disclosing personal information about individuals unless the individual consents and the information is reasonably necessary for one or more functions.</p> <p>Accountants and bookkeepers must preserve the confidentiality of their client's or employers' affairs unless required to make such disclosure by law or to prevent the commission of a crime.</p>
Regulations	Impact on the preparation of financial reports
ASIC Regulatory Guide 43 (RG43) Financial reports and audit relief (Word count: between 80-90 words)	<p>Chapter 2M of the Corporations Act contains the financial reporting and audit requirements for companies, disclosing entities and registered schemes.</p> <p>These requirements are directed at maintaining investor confidence, enhancing market efficiency and ensuring management accountability.</p> <p>ASIC has the discretion to grant relief from the financial reporting provisions in the Corporations Act. This relief can only be granted if certain statutory preconditions are satisfied.</p> <p>Regulatory Guide 43 explains how ASIC may exercise its powers to grant relief from the financial reporting and audit requirements.</p>
ASIC RG68 New financial reporting and procedural requirements (Word count: between 50-60 words)	<p>ASIC RG68 clarifies some accounting-related requirements introduced into the Corporations Law by the Company Law Review Act 1998 and the Managed Investments Act 1998. It relates to:</p> <ul style="list-style-type: none"> <li>(a) the financial reporting and audit requirements</li> <li>(b) the share capital requirements for companies</li> <li>(c) the meeting requirements for public companies</li> <li>(d) the annual return requirements.</li> </ul>
Standards	Impact on the preparation of financial reports

<p>AASB 5 (Word count: between 100-110 words)</p>	<p>AASB 5 specifies the accounting for assets held for sale and the presentation and disclosure of discontinued operations. In particular, the Standard requires:</p> <ul style="list-style-type: none"> <li>(a) assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets to cease; and</li> <li>(b) assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of comprehensive income.</li> </ul> <p>Aasb.gov.au. 2022. [online] Available at: &lt;<a href="https://aasb.gov.au/admin/file/content105/c9/AASB5_08-15_COMPdec21_01-22.pdf">https://aasb.gov.au/admin/file/content105/c9/AASB5_08-15_COMPdec21_01-22.pdf</a>&gt; [Accessed 11 July 2022].</p>
<p>AASB 101 (Word count: between 50-60 words)</p>	<p>AASB 101 prescribes the basis for presenting general purpose financial statements to ensure comparability with the entity's financial statements of previous periods and other entities' financial statements. It sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content, which accountants and bookkeepers must follow.</p> <p>Aasb.gov.au. 2022. [online] Available at: &lt;<a href="https://www.aasb.gov.au/admin/file/content105/c9/AASB101_07-15.pdf">https://www.aasb.gov.au/admin/file/content105/c9/AASB101_07-15.pdf</a>&gt; [Accessed 11 July 2022].</p>
<p>Codes of Practice</p>	<p style="text-align: center;">Impact on the preparation of financial reports</p>
<p>Institute of Certified Bookkeepers Code of Professional Conduct (Word count: between 110-120 words)</p>	<p>Professional bookkeepers are expected to be truthful, careful, and diligent and conduct themselves professionally. The Code of Professional Conduct outlines the rules that apply to all members. When preparing financial reports, the code states members must not:</p> <ul style="list-style-type: none"> <li>• engage in dishonest or otherwise discreditable activities.</li> <li>• compromise their professional standards or engage in or act to assist or conceal any criminal act even if, by doing so, the member may act contrary to their client's instructions.</li> <li>• compromise their professional standards or engage in or act to assist or conceal any criminal act even if, by doing so, the member may act contrary to their client's instructions.</li> </ul>
<p>ePayments Code (Word count: between 70-80 words)</p>	<p>When preparing financial reports, a business cannot record revenues and expenses until a transaction occurs and the revenues are earned, or the expense is incurred. Subscribers to the ePayment Code must give businesses a statement that lists all transactions performed through a facility and the amount of any fee or charge imposed. The Code also requires subscribers to have an effective and convenient process for users to report unauthorised transactions.</p>

### Question 8

In your own words, explain the accounting conceptual framework and to who the framework applies.  
(Word count: between 150-160 words)

#### Assessor Instructions

The candidate must explain the accounting conceptual framework and to who the framework applies. The answer provided by the candidate must reflect the exemplar answer below.



The accounting conceptual framework is a body of interrelated objectives and fundamentals. The objectives identify the goals and purposes of financial reporting, and the fundamentals are the underlying concepts that help achieve those objectives. The concepts provide guidance in selecting transactions, events, and circumstances to be accounted for, how they should be recognised and measured, and how they should be summarised and reported.

The conceptual framework applies to:

- (a) for-profit private sector entities that are required by legislation to prepare financial statements that comply with Australian Accounting Standards or accounting standards.
- (b) other for-profit private sector entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after 1 July 2021; and
- (c) other for-profit entities (private sector or public sector) that elect to prepare general purpose financial statements.

### Question 9

Download the “Smart Books Financial Reporting Policy and Procedure”. For each policy and procedure subheading below, list the applicable accounting standard and explain the impact the standard has on Smart Books financial reports. You may copy from the document verbatim for this question.

#### Assessor Instructions

The candidate must identify the accounting standard that applies to each policy and procedure subheading listed and explain the impact the accounting standard has on Smart Books financial reports. The answer provided by the candidate must reflect the exemplar answer below.

Policy and Procedure Subheading	Applicable Accounting Standard & Impact on Financial Reports
<p><b>Basis of Preparation of Financial Reports</b> (Word count: between 60-70 words)</p>	<p>Accounting Standard: AASB 101 Financial reports are prepared in accordance with the Australian Accounting Standard AASB101, Australian Accounting Interpretation and other authoritative pronouncements of the Australian Accounting Standards Board (AASB).</p> <p>Except for cash flow information, the financial report has been prepared on an accrual basis. It is based on historical costs, modified, where applicable, by the measurement of the fair value of selected non-current assets, financial assets and liabilities.</p>
<p><b>Inventories</b> (Word count: between 30-40 words)</p>	<p>Accounting Standard: AASB 102 In the financial reports, inventories are measured at the lower of cost and net realisable value.</p> <p>Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.</p>
<p><b>Impairment</b> (Word count: between 130-140 words)</p>	<p>Accounting Standard: AASB 116 In the financial reports, a financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of a loss event having occurred, which has an impact on the estimated future cash flows of the financial asset(s).</p> <p>In the case of available-for-sale financial assets, a significant or prolonged decline in the instrument's market value is considered a loss event. Impairment losses are recognised in profit or loss immediately.</p>



	<p>Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.</p> <p>In accordance with Australian Accounting Standards, Smart Books assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.</p>
<p><b>Employee Benefits</b></p> <p><b>(Word count: between 300-320 words)</b></p>	<p>Accounting Standard: AASB 19</p> <p>In the financial reports, provision is made for Smart Books' obligations for short-term employee benefits. Short-term employee benefits (other than termination) are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.</p> <p>Smart Books obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. Smart Books obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.</p> <p>In the financial reports, provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by market yields at the end of the reporting period on government bonds with maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.</p> <p>Smart Books' obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where Smart Books does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.</p>

### Assessment Checklist

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

Nine 9 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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