



**FNSACC414**

**ASSESSOR GUIDE**

# **Prepare financial statements for non-reporting entities**

## **Assessment 1 of 3**

### **Short Answer Questions**

Version 1.0



## Assessment Instructions

### Task overview

This assessment task consists of eight (8) 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

Candidates 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 candidate to demonstrate all requirements of the unit.

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



Please consider the environment before printing this assessment.

## Question 1

Describe the features that differentiate non-reporting entities and reporting entities. List two (2) examples of both a non-reporting entity and a reporting entity.

(Approximate word count: 30 to 50 words each)

### Assessor Instructions

The candidate must:

- explain the difference between a non-reporting entity and a reporting entity
- provide two examples of a non-reporting entity and a reporting entity.

The candidate's response must reflect the sample answer below.

<p><b>Non-Reporting entities</b> (Approximate word count: 30 to 50 words)</p>	<p>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.</p> <p>Non-reporting entities include:</p> <ul style="list-style-type: none"><li>• Not for Profit Organisations</li><li>• Charities</li><li>• Sole proprietorship businesses</li><li>• Firms</li></ul>
<p><b>Reporting entities</b> (Approximate word count: 30 to 50 words)</p>	<p>For satisfactory performance, although the wording will vary slightly, candidate responses must be the following (in no particular order):</p> <p>Reporting entities are required to prepare and submit General Purpose Financial Statements to ASIC.</p> <p>Reporting entities include:</p> <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>

## 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 candidate must outline two of the key characteristics of the following two non-reporting entities

- not-for-profit organisations
- charities.

The candidate's response must reflect the sample answer below.

Non-Reporting Entity	Key Characteristics
<p><b>i. Not-for-profit organisation</b></p> <p><i>(Approximate word count: 30 to 50 words)</i></p>	<p>1.</p> <p>Only two (2) are required:</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 enable it to meet the definition of a non-reporting entity.</p>
<p><b>ii. Charity</b></p> <p><i>(Approximate word count: 30 to 50 words)</i></p>	<p>1.</p> <p>Only two (2) are required:</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> <p>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.</p>
	<p>2.</p>

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

The candidate's response must reflect the sample answer below.

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

### Question 4

Explain the criteria that define a taxable sale with GST included in the price, according to the Goods and Services Tax Act.

(Approximate word count: 25 - 30 words)

#### Assessor Instructions

The candidate must explain the criteria that define a taxable sale with GST included in the price as per [A New Tax System \(Goods and Services Tax\) Act 1999](#) legislation.

The candidate's response must agree with the sample answer below.

To be a taxable sale with GST in the price, a sale must be:

- for payment of some kind
- made in the course of operating your business
- connected with Australia.

### Question 5

The [ACNC Act](#) requires registered charities to submit an Annual Information Statement.

- a. Explain what an Annual Information Statement is. (Approximate word count: 25 to 30 words)
- b. What basic financial information must small charities report with their Annual Information Statement? (Approximate word count: 20 to 25 words)
- c. What basic financial information must medium to large charities report with their Annual Information Statement? (Approximate word count: 15 to 20 words)

### Assessor Instructions

The candidate must explain what an Annual Information Statement is and explain what information small, medium and large charities are required to report with their Annual Information Statement.

The candidate's response must reflect the sample answer below.

a. The Annual Information Statement (AIS) is an online form that asks a range of questions about a charity's operations and finances over a 12-month period.
b. Financial reports are not mandated for small charities. They can choose to submit a financial report, but it is not mandatory.
c. Medium and large charities are required to submit an annual financial report with their Annual Information Statement.

### Question 6

Describe one advantage and one disadvantage of the following financial analysis techniques:

- a. Financial ratios
- b. Comparison techniques

### Assessor Instructions

The candidate must describe one advantage and one disadvantage of each listed financial analysis technique. A sample answer is provided below.

Financial Analysis Technique	Advantage	Disadvantage
<p><b>a. 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 estimate the operational efficiency of the entity.</li> <li>• Financial ratios facilitate comparing the financial performance of two or more entities.</li> <li>• Financial ratios assist in the determination of liquidity as</li> </ul>	<p>Only one is required:</p> <ul style="list-style-type: none"> <li>• Financial ratios do not factor in the non-financial factors impacting a business entity's performance.</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</li> </ul>

	<p>well as the long-term solvency of the entity.</p> <p>Other responses are acceptable. For satisfactory performance, the candidate's response must demonstrate the benefit of the financial analysis technique to the user.</p>	<p>to the users of financial statements. Only upon analysis and use of the analysis to make business decisions do financial ratios offer value addition to the entity.</p> <p>Other responses are acceptable. For satisfactory performance, the candidate's response must demonstrate a limitation that the financial analysis technique provides to the user.</p>
<p><b>b. 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 periods.</li> <li>▪ They help in identifying where companies have invested their resources.</li> <li>▪ They help understand the percentage (share) of individual line items.</li> </ul> <p>Other responses are acceptable. For satisfactory performance, the candidate's response must demonstrate a benefit that the comparison techniques provide to the user.</p>	<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. For satisfactory performance, the candidate's response must demonstrate a limitation that comparison techniques provide to the user.</p>

### Question 7

Describe one (1) advantage and one (1) disadvantage of the following method of presenting financial data:

- a. Charting
- b. Infographics

### Assessor Instructions

The candidate must describe one (1) advantage and one (1) disadvantage of each listed method of presenting financial data. A sample answer is provided below.

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. For satisfactory performance, the candidate's response must demonstrate the benefit to users of using charts when presenting financial data.</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. For satisfactory performance, the candidate's response must demonstrate limitations to users of using charts when presenting financial data.</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> <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. For satisfactory performance, the candidate's response must demonstrate the benefit to users of using infographics when presenting financial data.</p>	<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 misinterpreted since there are no detailed descriptions.</li> <li>▪ Infographics can contain a lot of data and can cause data overload.</li> </ul> <p>Other responses are acceptable. For satisfactory performance, the candidate's response must demonstrate limitations to users of using infographics when presenting financial data.</p>

## Question 8

### Scenario

You are the accountant at a medium not-for-profit organisation tasked with preparing the financial statements for the year ending 30 June 2024. The not-for-profit organisation falls under the category of a non-reporting entity. Your supervisor has provided you with the organisational guidelines and procedures for preparing financial statements, which state the organisation will use the [National Standard Chart of Accounts \(NSCOA\)](#) for preparing and reporting accounting information. She has asked you to do an audit of the following GL accounts to check transactions have been recorded correctly:

- Undeposited Funds
- Prepayments
- Salary Sacrifice



- Revenue Received in Advance
- Donations received
- Donations Paid

To ensure clarity in your audit focus, describe the types of transactions recorded in each GL account according to the National Standard Chart of Accounts in the table below. Additionally, reference any relevant Australian Accounting Standards (AASB), if applicable, to guide your understanding.

### Assessor Instructions

The candidate must complete the table below using the National Standard Chart of Accounts information. The candidate's response must reflect the sample answer below.

Account	Description of Account	Australian Accounting Standard References
Undeposited Funds <i>(Approximate word count: 25 to 30 words each)</i>	This account represents the amount of undeposited funds (for temporary unallocated or unapplied funds) and is an automatic account feature in many software systems.  <a href="#">National Standard Chart of Accounts   ACNC</a>	
Prepayments <i>(Approximate word count: 45 to 55 words each)</i>	Prepayments on items such as insurance, rent and advertising that have been prepaid beyond this financial period. This account does not include prepaid memberships by the organisation's members as a separate account is set up and identified as such.  There are instances (see standards) where prepaid advertising should be expensed.  <a href="#">National Standard Chart of Accounts   ACNC</a>	AASB 101.78(b); or 1060.44(b)
Salary Sacrifice <i>(Approximate word count: 35 to 40 words each)</i>	This account can be used to record the amounts salary sacrificed by staff as a liability. It is usual to record each individual's information against their payroll record, and this account is a summed account only.  <a href="#">National Standard Chart of Accounts   ACNC</a>	AASB 101.54(k), 54(l) & 78(d) or AASB 1060.35(k), 35(o) & 44(e)
Revenue Received in Advance  <i>Approximate word count: 25 to 30 words each)</i>	Any revenue or income such as rent received in advance, membership fees, contracts, sponsorships, subscriptions, box office, etc. (but NOT grants) that span more than the current financial year.  <a href="#">National Standard Chart of Accounts   ACNC</a>	AASB 101.54(m); AASB 15.105 or AASB 1060.35(l) & 44(d)

<p>Donations received</p> <p><i>Approximate word count: 25 to 30 words each)</i></p>	<p>This account includes all donations and gifts in both monetary and non-monetary forms. For Deductible Gift Recipients – DGRs, this includes donations and gifts credited to the Gift Fund.</p> <p><a href="#">National Standard Chart of Accounts   ACNC</a></p>	
<p>Donations Paid</p> <p><i>Approximate word count: 50 to 60 words each)</i></p>	<p>This account represents all donations and contributions made by the nonprofit organisation. This account may be required to be a header or broken into deductible and non-deductible, depending on ATO status and the definition of the recipient. Some organisations have Deductible Gift Recipient (DGR) status with the ATO - see the ATO website for the current list.</p> <p><a href="#">National Standard Chart of Accounts   ACNC</a></p>	<p>AASB 101.85 or AASB 1060.56</p>

**Assessment submission checklist:**

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

1	Eight (8) short answer questions were 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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