

Achievement Standard

Subject Reference Accounting 1.3

Title Prepare financial statements for sole proprietors

Level 1 **Credits** 5 **Assessment** External

Subfield Accounting

Domain Accounting - Generic

Status Registered **Status date** 17 November 2011

Planned review date 31 December 2018 **Date version published** 20 November 2014

This achievement standard involves preparing financial statements for sole proprietors.

Achievement Criteria

Achievement	Achievement with Merit	Achievement with Excellence
<ul style="list-style-type: none"> Prepare financial statements for sole proprietors. 	<ul style="list-style-type: none"> Prepare in-depth financial statements for sole proprietors. 	<ul style="list-style-type: none"> Prepare comprehensive financial statements for sole proprietors.

Explanatory Notes

1 This achievement standard is aligned with *The New Zealand Curriculum*, Learning Media, Ministry of Education, 2007, and is related to the material in the *Teaching and Learning Guide for Accounting*, Ministry of Education, 2011 at <http://seniorsecondary.tki.org.nz>.

2 *Prepare financial statements for sole proprietors* means:

- prepare classified financial statements or financial statement extracts for sole proprietors.

Prepare in-depth financial statements for sole proprietors means:

- prepare in-depth classified financial statements or financial statement extracts for sole proprietors where in-depth classified financial statements or financial statement extracts include:
 - balance day adjustments where the figure is provided
 - distinguishing cash and non-cash transactions when completing the cash budget.

Prepare comprehensive financial statements for sole proprietors means:

- prepare comprehensive classified financial statements or financial statement extracts for sole proprietors where comprehensive classified financial statements or financial statement extracts include:
 - balance day adjustments where the figure is provided
 - balance day or other adjustments where the figure requires a calculation
 - distinguishing cash and non-cash transactions when completing the cash budget
 - no foreign items.
- 3 A foreign item is an item in a financial statement that should not appear in that financial statement.
- 4 *Balance day adjustments where the figure is provided* is selected from the following:
- accrued expenses (limited to wages and interest)
 - accrued income (limited to interest received and dividends received)
 - prepayments (the figure provided will exclude GST)
 - income in advance (the figure provided will exclude GST)
 - depreciation on a straight-line basis.
- 5 *Balance day or other adjustments where the figure requires a calculation* is selected from the following:
- depreciation on a straight-line basis
 - accounts payable (including GST) for purchases/supplies
 - accounts receivable (including GST) for sales/fees
 - purchase of an item of property, plant and equipment (including GST) on credit
 - dividing a given figure to allocate to one or more classifications or to determine the figure to use in a cash budget.
- 6 The sole proprietor firms are registered for GST on the payments basis and are either:
- service firms and/or
 - trading firms that use a periodic inventory system.
- 7 *Financial statements* will be selected from:
- Income Statement with classification of expenses appropriate to the business activities.
 - Balance Sheet and note for property, plant and equipment
 - equity to show opening capital, profit/loss for the year, drawings and closing capital
 - classification of assets into current and non-current (investments, property, plant and equipment, intangibles)
 - classification of liabilities into current and non-current.
 - Cash Budget
 - cash movements to be shown as estimated cash receipts and estimated cash payments
 - the difference shown as surplus or deficit of cash.

Note:

- Income Statement and Balance Sheet are to be prepared on a GST exclusive basis with the GST payable/receivable shown in the Balance Sheet.
- The note for property, plant and equipment is limited to cost, accumulated depreciation and carrying amount.
- Cash Budget will be prepared on a GST inclusive basis.

- 8 Assessment Specifications for this achievement standard can be accessed through the Accounting Resources page found at <http://www.nzqa.govt.nz/qualifications-standards/qualifications/ncea/ncea-subject-resources/>.

Replacement Information

This achievement standard replaced unit standard 7361.

Quality Assurance

- 1 Providers and Industry Training Organisations must have been granted consent to assess by NZQA before they can register credits from assessment against achievement standards.
- 2 Organisations with consent to assess and Industry Training Organisations assessing against achievement standards must engage with the moderation system that applies to those achievement standards.

Consent and Moderation Requirements (CMR) reference

0233