



FNSACC524

ASSESSOR GUIDE

# PREPARE FINANCIAL REPORTS FOR CORPORATE ENTITIES

Assessment 1 of 2

Short Answer Questions



## Assessment Details

### Task overview

This assessment task uses short answer questions. Read each question carefully before typing your response in the space provided.

To complete this assessment, you will need:

- Computer with access to MS Word or similar
- Internet access



### 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:

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

Complete the table below to explain the different types of taxes that apply to businesses and corporate accounting reports. Approximate word count: 20 to 40 words for each taxation type.

**Assessor instructions:** Candidates must explain the four types of taxation requirements listed that are relevant to corporate accounting reports.

The wording in answers may vary but must correspond to the benchmark answers provided.

A sample answer is provided below.

Taxation Type	Explanation
Pay As You Go (PAYG) Instalments	A system for making quarterly payments towards your expected income tax obligation on your business and investment income for the current financial year. PAYG is generally paid by business owners, investors and sub-contractors who earn a certain amount of income.
Pay As You Go (PAYG) Withholding	These are the withheld amounts from payments made to employees and contractors. It is a legal requirement for all employers to keep this portion of payments made to employees and other businesses; this portion is then paid to the ATO.
Fringe Benefits Tax (FBT)	A tax payable by employers to an employee (or an employee's associate, e.g. a family member) in place of salary or wages. This is separate from income tax and is calculated on the taxable value of the amount paid.
Goods and Services Tax (GST)	A broad-based tax of 10% on most services and other items sold or consumed in Australia.

### Question 2

Complete the table below to identify when a business must:

- register for GST (Approximate word count: 140 words)
- report GST (Approximate word count: 25-50 words)

**Assessor instructions:** Candidates must identify the GST taxation and reporting requirements.

A sample answer is provided below.

Register for GST	Report GST
<p>You must register for GST:</p> <ul style="list-style-type: none"><li>• when your business or enterprise has a GST turnover [gross income from all businesses minus GST] of \$75,000 or more – see <a href="#">Working out your GST turnover</a></li><li>• when you start a new business and expect your turnover to reach the GST threshold [or more] in the first year of operation</li><li>• if you're already in business and have reached the GST threshold</li><li>• if your non-profit organisation has a GST turnover of \$150,000 per year or more</li><li>• when you provide taxi or limousine travel for passengers (including ride-sourcing) regardless of your GST turnover – this applies to both owner drivers and if you lease or rent a taxi</li><li>• if you want to claim fuel tax credits for your business or enterprise.</li></ul> <p>Registering for GST is optional if your business or enterprise doesn't fit into one of these categories. If you choose to register, generally, you must stay registered for at least 12 months.</p> <p>Source: <a href="https://www.ato.gov.au/Business/GST/Registering-for-GST/">https://www.ato.gov.au/Business/GST/Registering-for-GST/</a></p>	<p>GST reporting depends on the business's GST turnover</p> <p>Monthly - if GST turnover is \$20 million or more Quarterly if GST turnover is less than \$20 million.</p> <p>Source: <a href="https://www.ato.gov.au/Business/GST/Lodging-your-BAS-or-annual-GST-return/Options-for-reporting-and-paying-GST/">https://www.ato.gov.au/Business/GST/Lodging-your-BAS-or-annual-GST-return/Options-for-reporting-and-paying-GST/</a></p>

### Question 3

What information must a company report in its tax return?

Approximate word count: 30 to 40 words

**Assessor instructions:** Candidates must describe the information included in their company tax return.

A sample answer is provided below.

A company tax return must include the company's taxable income, tax offsets and credits, PAYG instalments and the amount of tax it is liable to pay on that income or the refundable amount.

### Question 4

Complete the table below to identify two reports disclosing entities must lodge to comply with the Corporations Act 2001.

Approximate word count: 30 to 70 words for each report

**Assessor instructions:** Candidates must identify the following two reports and reporting dates.

A sample answer is provided below.

Report	Outline the legal reporting requirement, including when reports must be lodged
Annual Financial Report	Section 319 of the Corporations Act requires a disclosing entity or registered managed investment scheme to lodge the complete financial reports within three months after the end of the financial year.  Source: <a href="https://asic.gov.au/regulatory-resources/financial-reporting-and-audit/preparers-of-financial-reports/reporting-obligations-for-disclosing-entities/">https://asic.gov.au/regulatory-resources/financial-reporting-and-audit/preparers-of-financial-reports/reporting-obligations-for-disclosing-entities/</a>
Half-year or six months or semi-annually	Unless the entity is not a disclosing entity when lodgement is due (section 302 of the Corporations Act) or if the entity's first financial year lasts for eight months or less [see ASIC Corporations (Disclosing Entities) Instrument 2016/190], half-yearly reports must be: prepared in accordance with Chapter 2M of the Corporations Act subjected to audit or review lodged with ASIC within 75 days of the half-year end. Source: <a href="https://asic.gov.au/regulatory-resources/financial-reporting-and-audit/preparers-of-financial-reports/reporting-obligations-for-disclosing-entities/">https://asic.gov.au/regulatory-resources/financial-reporting-and-audit/preparers-of-financial-reports/reporting-obligations-for-disclosing-entities/</a>

### Question 5

To help you complete the next activity, you may find it beneficial to review the following information about reporting requirements set by the Australian Taxation Office (ATO) for the last quarter of the financial year.

- <https://www.ato.gov.au/Business/Reports-and-returns/Due-dates-for-lodging-and-paying/Due-dates-by-topic/Activity-statements/>
- <https://www.ato.gov.au/Business/Reports-and-returns/Due-dates-for-lodging-and-paying/Due-dates-by-topic/Goods-and-services-tax/>
- <https://www.ato.gov.au/Business/Reports-and-returns/Due-dates-for-lodging-and-paying/Due-dates-by-topic/Super-guarantee/>

Complete the table below to:

- List tax obligations for each month of the quarter.
- Identify the lodgement and payment dates for each obligation. Write N/A where these are not applicable.

**Assessor instructions:** Candidates must list tax obligations for each month with lodgement and payment dates.

Student answers must match the following:

Month	Tax obligation	Lodgement date	Payment date
April Outline three (3)	Quarter 3 PAYG instalment activity statement	21/04	N/A
	March monthly GST Activity Statement	28/04	28/04
	Quarter 3 Super Guarantee Contributions	28/04	N/A
May Outline five (5)	Lodge 2017 tax returns for all entities that did not have to lodge earlier (including all remaining consolidated groups)	15/05	N/A
	April monthly GST Activity Statement	28/05	28/05
	Quarter 3 Activity Statement	N/A	26/05
	Fringe benefits Tax annual return	N/A	28/05
	Quarter 3 Super Guarantee Contributions	N/A	28/05
June Outline two (2)	Lodge tax return for all entities with a lodgement due date of 15 May 2018	N/A	05/06
	May monthly GST Activity Statement	21/06	21/06

### Question 6

List four (4) entities required to prepare financial and directors' reports under the Corporations Act 2011.

Refer to Part 2M.3 – Financial Reporting of the *Corporations Act 2001*.

Approximate word count: 30 words

**Assessor instructions:** Students must list four entities required to prepare financial and directors' reports under the Corporations Act 2011.

A sample answer is provided below.

Section 292 of the Corporations Act 2001 [Corporations Act] requires the following entities to prepare financial reports:

- all disclosing entities
- public companies
- companies limited by guarantee (except small companies limited by guarantee)
- all large proprietary companies that are not disclosing entities
- all registered managed investment schemes
- small proprietary companies that are foreign-controlled
- small proprietary companies that have one or more crowd-sourced funding shareholders at any time during the year.

Source: <https://asic.gov.au/regulatory-resources/financial-reporting-and-audit/preparers-of-financial-reports/lodgement-of-financial-reports/#companies>

## Question 7

Read S295 Contents of annual financial report of the Corporations Act 2001.

Complete the following table to identify and explain three [3] documents that must be included in an annual financial report as part of compliance and reporting requirements.

Approximate word count: 30 to 100 words for each document

**Assessor instructions:** Students must identify the requirements listed in the legislation. A direct copy and paste is satisfactory in this case.

A sample answer is provided below.

Source: [http://classic.austlii.edu.au/au/legis/cth/consol\\_act/ca2001172/s295.html](http://classic.austlii.edu.au/au/legis/cth/consol_act/ca2001172/s295.html)

Document	Explanation
Financial statements for the year	Unless paragraph (b) applies—the financial statements in relation to the company, registered scheme or disclosing entity required by the accounting standards; or if the accounting standards require the company, registered scheme or disclosing entity to prepare financial statements in relation to a consolidated entity—the financial statements in relation to the consolidated entity required by the accounting standards.
Notes to the financial statements	Disclosures required by the regulations; and notes required by the accounting standards; and any other information necessary to give a true and fair view [see section 297].



Directors' declaration about the statements and notes	Whether, in the directors' opinion, there are reasonable grounds to believe that the company, registered scheme or disclosing entity will be able to pay its debts as and when they become due and payable; and if the company, registered scheme or disclosing entity has included in the notes to the financial statements, in compliance with the accounting standards, an explicit and unreserved statement of compliance with international financial reporting standards—that this statement has been included in the notes to the financial statements; and whether, in the director's opinion, the financial statement and notes are in accordance with this Act, including: section 296 (compliance with accounting standards); and section 297 (true and fair view); and If the company, disclosing entity or registered scheme is listed—that the directors have been given the declarations required by section 295A.
---	--

### Question 8

Identify four (4) criteria that auditors must check when reviewing financial reports in accordance with S307 of the *Corporations Act 2001*.

Approximate word count: 50 words

**Assessor instructions:** must identify four (4) criteria that auditors must check when reviewing financial reports in accordance with S307 of the Corporations Act 2001. The wording may vary. However, it must correspond to the benchmark answers provided.

A sample answer is provided below.

Source: [http://www5.austlii.edu.au/au/legis/cth/consol\\_act/ca2001172/s307.html](http://www5.austlii.edu.au/au/legis/cth/consol_act/ca2001172/s307.html)

- If the financial records are sufficient to enable the financial report to be prepared and audited.
- If all information, explanation and assistance necessary to conduct the audit were provided.
- If the reports comply with accounting standards and represent a fair and true view of the accounts of the entity.
- If records and registers have been kept.

### Question 9

Complete the table below to identify three (3) corporate regulatory authorities and explain their roles regarding the reporting obligations of corporate entities.

Approximate word count: 30-60 words for each role.

**Assessor instructions:** Candidates must list and explain the role of three (3) corporate regulatory authorities. Responses must include any three (3) of the following. The wording may vary in the candidate's discussion. However, they must correspond to the benchmark answers provided.

A sample answer is provided below of four possible responses. Three responses are required.

Regulatory Authority	Role
----------------------	------



Australian Securities and Investments Commission (ASIC)	The ASIC is Australia's corporate, market, and financial services regulator, and its role is to ensure that Australia's financial markets are fair and transparent. Under s319 of the Corporations Act 2001, unlisted companies must lodge financial statements and reports with the ASIC within three (3) months after the end of the financial year. Disclosing entities are required to lodge half-yearly reports.
Australian Securities Exchange (ASX)	The role of the ASX is to bring together in one marketplace investors who provide capital and companies that require capital. The ASX facilitates this capital formation process by providing a well-regulated secondary trading market. The ASIC has an agreement with the ASX to share information and a supervisory role as the ASX is a listed company. Listed companies have reporting obligations under the ASX Listing Rules.
Australian Accounting Standards Board (AASB)	The AASB is a body corporate with perpetual succession. Its functions are set out in s277 of the ASIC Act and include developing a conceptual framework for the purpose of evaluating proposed accounting and international standards. AASB101 sets out the requirements with respect to the presentation of financial statements.
Australian Taxation Office	The Australian Taxation Office is the government's principal revenue collection agency, and its role is to manage taxation, excise and superannuation systems that fund services for Australians.

### Question 10

Identify the four (4) key areas of central provisions under *A New Tax System (Goods and Services Tax) 1999*. Explain each area.

Refer to [Part 2 – 1 The central provisions Division 7 – The central provisions of the A New Tax System \(Goods and Services Tax\) 1999](#).

Source: [http://classic.austlii.edu.au/au/legis/cth/consol\\_act/antsasta1999402/](http://classic.austlii.edu.au/au/legis/cth/consol_act/antsasta1999402/)

Write your responses in the spaces provided below. Approximate word count: 10–25 words for each area.

**Assessor instructions:** The candidate must identify and explain the four (4) key areas of central provisions under *A New Tax System (Goods and Services Tax) 1999*. The wording may vary, and the answer must correspond to the benchmark answers.

Benchmark answers below are from Part 2 – 1 The central provisions Division 7 – The central provisions of the *A New Tax System (Goods and Services Tax) 1999*.

A sample answer is provided below.

Area	Discussion
GST and input tax credits	<p>[1] GST is payable on *taxable supplies and *taxable importations.</p> <p>[2] Entitlements to input tax credits arise on *creditable acquisitions and *creditable importations.</p>
Net amounts	Amounts of GST and amounts of input tax credits are set off against each other to produce a *net amount for a tax period (which may be altered to take account of *adjustments).
Tax Periods	Every entity that is *registered, or *required to be registered, has tax periods applying to it.
Payments and refunds	The amount *assessed as being the *net amount for a tax period is the amount that the entity must pay to the Commonwealth, or the Commonwealth must refund to the entity, in respect of the period.

### Question 11

Refer to the APES 110 Code of Ethics for Professional Accountants.

Complete the table below to explain the ethical requirements associated with financial reporting for corporate entities.

#### Assessor instructions:

The candidate must explain the following ethical requirement associated with financial reporting. The wording may vary and must correspond to the benchmark answers provided.

A sample answer is provided below.

Ethical requirements	Explanation of ethical requirements
<p style="text-align: center;"><b>Confidentiality</b></p> <p>Approximate word count: 100 - 120 words</p>	<p>To respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the Member or third-parties.</p> <p style="text-align: right;"><i>[Source: Fundamental Principles, page 18]</i></p> <p>The principle of confidentiality imposes an obligation on all Members to refrain from:</p> <p>a) Disclosing outside the firm or employing organisation confidential information acquired as a result of professional and business relationships without proper and specific authority or unless there is a legal or professional right or duty to disclose; and</p> <p>b) using confidential information acquired as a result of professional and business relationships to their personal advantage or the advantage of third parties.</p> <p style="text-align: right;"><i>[Source: Confidentiality, page 25]</i></p>
<p style="text-align: center;"><b>Conflict of interest</b></p> <p>Approximate word count: 100 - 120 words</p>	<p>A Member in Public Practice shall take reasonable steps to identify circumstances that could pose a conflict of interest. Such circumstances may create threats to compliance with the fundamental principles. For example, a threat to objectivity may be created when a Member in Public Practice competes directly with a client or has a joint venture or similar arrangement with a major competitor of a client. A threat to objectivity or confidentiality may also be created when a Member in Public Practice performs services for clients whose interests are in conflict, or the clients are in dispute with each other in relation to the matter or transaction in question.</p> <p style="text-align: right;"><i>[Source: Conflicts of Interest, page 36]</i></p>

<p style="text-align: center;"><b>Disclosure of confidential information</b></p> <p style="text-align: center;">Approximate word count: 120 - 150 words</p>	<p>The following are circumstances where members are or may be required to disclose confidential information or when such disclosure may be appropriate:</p> <ul style="list-style-type: none"> <li>a) Disclosure is permitted by law and is authorised by the client or the employer;</li> <li>b) Disclosure is required by law, for example: <ul style="list-style-type: none"> <li>i. Production of documents or other provision of evidence in the course of legal proceedings; or</li> <li>ii. Disclosure to the appropriate public authorities of infringements of the law that come to light; and</li> </ul> </li> <li>c) There is a professional duty or right to disclose, when not prohibited by law: <ul style="list-style-type: none"> <li>i. To comply with the quality review of a member body or professional body;</li> <li>ii. To respond to an inquiry or investigation by a member body or regulatory body;</li> <li>iii. To protect the professional interests of a Member in legal proceedings; or</li> <li>iv. To comply with technical standards and ethics requirements.</li> </ul> </li> </ul> <p style="text-align: right;"><i>[Source: Confidentiality, pages 25 – 26]</i></p>
---	---

### Question 12

A Statement of Financial Position can be presented in two (2) industry-standard formats, the account format and the report format. In your own words, describe each format.

Approximate word count: 50 words each.

**Assessor instructions:** Candidate must describe the following industry-standard formats of Statement of Financial Position. The wording may vary. However, it must correspond to the benchmark answers provided.

A sample answer is provided below.

Formats	Description
---------	-------------

<b>Account format</b>	The account format presents the data in a horizontal format with two [2] columns. The left column outlines the organisation's assets. The total value of all assets is shown at the final line of this column. In the right column, liabilities and equity are outlined. The total combined value of liabilities and equity.
<b>Report format</b>	The report format presents the data in a vertical format, with one [1] column that extends to the full width of the page. This format starts with assets, showing the total value at the end of the assets section. After the assets section, it lists the liabilities and finishes with equity in the same format. At the final line of this format, the total combined value of liabilities and equity is shown.

### Question 13

The Income Statement can be presented in two [2] industry-standard formats: the nature of expense format and the function of expense. In your own words, describe each format.

Approximate word count: 50 words

**Assessor instructions:** Candidate must describe the following industry-standard formats of Income Statement. The wording may vary. However, it must correspond to the benchmark answers provided.

Formats	Description
<b>Nature of expense</b>	<p>In this format, expenses are presented according to their nature, e.g. depreciation, transport costs, rent expense, wages and salaries, etc. There is no reallocation of these expenses to different functions of the entity, i.e. cost of goods sold, selling costs, administrative costs and other expenses.</p> <p style="text-align: right;"><i>[Source: <a href="https://accountingexplained.com/financial/statements/income-statement-by-nature">https://accountingexplained.com/financial/statements/income-statement-by-nature</a>]</i></p>

<b>Function of expense</b>	<p>In this format, expenses are presented according to their functions, e.g. cost of goods sold, selling expenses, administrative expenses, other expenses/losses, etc. This method allows us to calculate gross profit and operating profit from the income statement.</p> <p style="text-align: right;"><i>[Source: <a href="https://accountingexplained.com/financial/statements/income-statement-by-nature">https://accountingexplained.com/financial/statements/income-statement-by-nature</a>]</i></p>
----------------------------	--

**Question 14**

Complete the following table to explain the different types of charts, diagrams and tables used to present financial data.

**Assessor instructions:** The candidate must explain the different types of charts, diagrams and tables used to present financial

<b>Methods</b>	<b>In your own words, explain how the method is used to present financial data</b>
----------------	--

<p style="text-align: center;"><b>Graphs</b></p> <p>Approximate word count: 200 words</p>	<p>Graphs use visual elements to make large numbers and complex information more comprehensible. They efficiently display large amounts of data and help identify and interpret patterns in the data. The common types of graphs are bar graphs, pie charts, line graphs and scatter plots. Each type has a different function in displaying data, such as showing comparisons, analysing proportional distributions, identifying changes over time, and clarifying the connection between two numerical measurements.</p> <ul style="list-style-type: none"> <li>• <b>Column graphs</b> – Consist of patterned rectangles displayed along a baseline called the x-axis (horizontal axis). The height of the rectangle represents the amount of data. These graphs best show changes in data over time (short time series) and comparisons of several items (the relationship between two series).</li> <li>• <b>Bar graphs</b> – Column charts in which the rectangles are arranged horizontally, and the length of each rectangle represent its value. Bar graphs best show data series with no natural order.</li> <li>• <b>Line graphs</b> – Connect data points with lines; different series are given different line markings (for example, dashed or dotted) or different tick marks. Line graphs are useful when the data points are more important than the transitions between them. They best show the comparison of long series, and a general trend is the message.</li> </ul>
<p style="text-align: center;"><b>Tables</b></p> <p>Approximate word count: 50 words</p>	<ul style="list-style-type: none"> <li>• Tables are recommended for relatively smaller amounts of values that belong to a single category. Whereas graphs provide a quick overview of data, tables can emphasise these values. Incorporating data in texts even exceeds such level of emphasis, especially when there are only two values to present.</li> </ul>
<p style="text-align: center;"><b>Charts</b></p> <p>Approximate word count: 80 - 90 words</p>	<p>Charts are designed to show differences in things like surveys and figures in a more aesthetically pleasing way. Charts have numerical figures in line or popping out of the visual representations themselves. Pie charts are the most common type of chart.</p> <p>A <b>pie chart</b> is a circle with radii connecting the centre to the edge, and the area between two radii is called a slice. Data values are proportionate to the angle between the radii, and pie charts best show parts of a whole.</p>



### Question 15

The following are different ways to record and report depreciation. Complete the table to describe each method and its benefits.

Approximate word count: 80 words each

**Assessor instructions:** The candidate must describe each way of recording and reporting depreciation and the benefits of using the method. The wording may vary. However, it must correspond to the benchmark answers provided.

Different ways of recording and reporting depreciation	Description	Method (How is it calculated?)	Benefits of using the method
<b>Straight-line method</b>	This method spreads the cost of the fixed asset evenly over its useful life. It involves the simple allocation of an even rate of depreciation every year over the asset's useful life.	The formula for straight-line depreciation is:  Annual Depreciation Expense = [Asset cost – Residual Value] / Useful life of the asset	Assets can be depreciated over the life of an asset up to zero value or scrap value.  Easy to use as the same amount is depreciated each year.
<b>Declining or diminishing balance method</b>	An accelerated method of depreciation results in higher depreciation expense in the earlier years of ownership. As the name suggests, it counts expenses twice as much as the asset's book value every year.	The formula is:  Depreciation = 2 * Straight-line depreciation per cent * book value at the beginning of the accounting period  Book value = Cost of the asset – accumulated depreciation	This method has a better tax benefit as a business can claim a larger depreciation tax deduction sooner.

### Question 16

Explain how depreciation is recorded and reported in journal entries.

Approximate word count: 100 words

**Assessor instructions:** The candidate must explain how depreciation is recorded and reported in journal entries. The wording may vary and must correspond to the benchmark answer provided.

A sample answer is provided below.

When you record depreciation, it is a debit to the Depreciation Expense account and a credit to the Accumulated Depreciation account. The Accumulated Depreciation account is a contra account, which means that it appears on the balance sheet as a deduction from the original purchase price of an asset.

Once you dispose of an asset, you credit the Fixed Asset account in which the asset was originally recorded, and debit the Accumulated Depreciation account, thereby flushing the asset out of the balance sheet. If an asset was not fully depreciated at the time of its disposal, it would also be necessary to record a loss on the undepreciated portion. This loss will be reduced by any proceeds from the sale of the asset.

### Question 17

To answer the following question, you must access Bigger Than Big's Financial Records Policy and Procedures from this link:

[Bigger Than Big Financial Records Policy and Procedures](#)

[username: newusername password: newpassword]

In the table below identify the two significant accounting policies used for the purpose of preparing the annual audited financial statements. In your own words, provide an explanation of the requirements.

Approximate word count: 60-140 words each

**Assessor instructions:** The candidate must demonstrate knowledge of the requirements of organisational policies and procedures relating to preparing financial reports for corporate entities.

Sample answers below are from [Bigger Than Big Financial Records Policy and Procedures](#)

The wording may vary. However, it must correspond to the benchmark answers below.

Significant Accounting Policy for preparing the annual audited financial statement	Explanation of requirements (in your own words)
Statutory reporting	<p>Annual financial statements shall be prepared in accordance with applicable Australian Accounting Standards and the Corporations Act 2001.</p> <p>Audited financial statements will be presented to Bigger than Big Corporation for adoption no later than 31st October of each year.</p> <p>Audited financial statements will be submitted to the relevant Minister and to other bodies as prescribed in the Regulations before 30th November each year.</p>

Basis of preparation	<p>General purpose financial reports should be prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) as they apply to corporate entities, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretation and Corporations Act 2001.</p> <p>Financial statements are prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.</p> <p>Financial statements are prepared to conform to AIFRS and require the use of certain critical accounting estimates and require management to exercise its judgement in applying Bigger than Big Corporation's accounting policies.</p> <p>AIFRS include specific provisions relating to not-for-profit entities that are not included in the International Financial Reporting Standards. In addition, Australian Accounting Standard AAS 27 Financial Reporting by Local Governments also applies.</p>
----------------------	---

### Question 18

Scenario: A sole trader is considering changing from a sole trader to a company structure. List four additional ongoing company compliance reporting obligations that will be required for the company post the change from sole trader.

Approximate word count: 25-50 words

**Assessor instructions:** Candidate must demonstrate requirements of conversion from a sole trader to company business structure.

A sample answer is provided below.

Additional obligations include:

- Record keeping
- Lodgment of financial records
- Company registrations and fee payments
- Notification of changes to company details, including updating ABN details on the Australian Business Register (ABR).

Source: <https://business.gov.au/planning/business-structures-and-types/business-structures/change-your-sole-trader-business-to-a-company#ongoing-company-compliance>

### Question 19

What would need to happen to convert a partnership to a company?

Approximate word count: 25-50 words

**Assessor instructions:** Candidate must demonstrate requirements of conversion from a sole trader to company business structure.

A sample answer is provided below.

To convert a partnership to a company, you would need to dissolve your partnership and set up your company. You cannot transfer your partnership into a company.  
Source: <https://business.gov.au/planning/business-structures-and-types/business-structures/change-your-business-structure>

### Question 20

Prepare a high-level four (4) step consolidation procedure to be followed when preparing the financial reports for a sole trader who recently changed to a company structure and now owns several subsidiary businesses.

Approximate word count: 30 words

**Assessor instructions:** Candidate must demonstrate requirements of consolidated procedures and conversion from a sole trader to company business structure.

The student must cover the following four procedural steps, and alternative wording is acceptable.

1. Determine the subsidiary entities of the parent company
2. Combine financial reports for each subsidiary and parent. Adding like-for-like account balances together
3. Eliminate any inter-company transactions
4. Remove owner's equity/capital from subsidiary recorded in parent reports.

### Question 21

The following questions are about fringe benefits tax (FBT).

- a) List the steps to calculate fringe benefits taxable amount. Approximate word count: 200 words
- b) When does the FBT reporting period start and finish each year? Approximate word count: 5 to 10 words

**Assessor instructions:** Candidate must demonstrate knowledge of methods for recording and reporting FBT benefits.

The student must cover the following steps, and a direct copy and paste from the ATO are acceptable.

Student responses may include the following or similar.

Step	Action
1	For each employee, identify those fringe benefits that are GST-creditable benefits. Work out the employee's individual fringe benefits amount for those benefits.
2	Add up all the individual fringe benefits amounts worked out in Step 1.
3	Identify the excluded fringe benefits that are GST-creditable benefits.
4	Add up the totals from Steps 2 and 3. This is known as the type 1 aggregate fringe benefits amount.
5	For each employee, identify those benefits that are not taken into account under Step 1. Work out the individual fringe benefits amount for each employee for those benefits.
6	Add up all the individual fringe benefits amounts worked out in Step 5.

7	Identify the excluded fringe benefits that are not taken into account under Step 3 and add up the taxable value of those excluded fringe benefits.
8	Add up the totals from Steps 6 and 7. This is known as the type 2 aggregate fringe benefits amount.
9	Calculate the fringe benefits taxable amount by grossing up the type 1 aggregate fringe benefits amount and the type 2 aggregate fringe benefits amount and adding them together.
10	Calculate the amount of tax payable as a percentage of the fringe benefits taxable amount.

Source:

<https://www.ato.gov.au/law/view/document?LocID=%22SAV%2FFBTGEMP%2FH2%22&PiT=20210701000001#H2>

The student must identify the FBT period as 1 April to 31 March.

Source: <https://www.ato.gov.au/law/view/document?DocID=SAV%2FFBTGEMP%2F00001>

## Assessment checklist:

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

1	Twenty one short answer questions are to be completed in the spaces provided.	<input type="checkbox"/>
---	---	--------------------------

 **Congratulations, you have reached the end of Assessment 1!**

© UP Education Online Pty Ltd 2021

Except as permitted by the copyright law applicable to you, you may not reproduce or communicate any of the content on this website, including files downloadable from this website, without the permission of the copyright owner.