



**FNSACC321**

**ASSESSOR GUIDE**

# **Process financial transactions and extract interim reports**

**Assessment 1 of 3**

Short Answer Questions



## Assessment Instructions

### Task overview

This assessment task requires you to answer fifteen (15) 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 your learning materials
- Access to a computer and the internet
- Access to Microsoft Word
- Download a copy of the Isla & Co P & P Manual (accessible on LMS)

### 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

## Question 1

Explain the principle of double-entry accounting.

(Approximately 40-50 words)

### Assessor Instructions

Student responses are likely to include wording different from the sample answer provided. However, the acceptable responses must:

- be within the specified word limit
- reflect the exemplar answer below.

Double-entry accounting is based on the principle that every accounting transaction is recorded in at least two accounts: a debit account and a credit account. The system ensures that the sum of all the debits equals the sum of all the credits.

## Question 2

Explain the following terms:

- cash-based accounting (Approximately 20-30 words)
- accrual-based accounting. (Approximately 25-35 words)

### Assessor Instructions

Student responses are likely to include wording different from the sample answers provided. However, the acceptable responses must:

- be within the specified word limit
- reflect the exemplar answers below.

#### 2a. Cash-based Accounting

Under cash-based accounting, revenue is recorded when the cash is received, and an expense is recorded when cash is paid.

#### 2b. Accrual-based Accounting

Under accrual-based accounting, transactions and events are recorded in the accounting periods in which they occur rather than in the period in which the entity pays or receives the related cash.

### Question 3

Explain the purpose of industry-accepted accounting conventions.

(Approximately 30-40 words)

#### Assessor Instructions

Student responses must reflect the exemplar answers below.

Accounting conventions are generally accepted principles and are not considered legally binding. These principles assist businesses in establishing procedures to record business transactions that accounting standards have not fully addressed.

### Question 4

Read through each of the scenarios and identify which of the accounting conventions apply.

#### Assessor Instructions

Student responses must match the exemplar answers below.

3. Scenario	Convention
You are a bookkeeper for a small Pty Ltd company. To reduce the size of your chart of accounts, you record all incidental expenses as miscellaneous expenses. At the end of the financial year, the miscellaneous expense account has a debit balance of \$8,024.25. The total net income of the company is \$35,000.00. Under which convention should you reclassify the expenses?	Convention of Materiality
You are a bookkeeper for a small Pty Ltd company. Last financial year, the business purchased new equipment for \$8,000.00. The equipment was depreciated in year 1 using the straight-line method of depreciation. This year, you depreciated the equipment using the reducing balance method. Under which convention should you reconsider the method of depreciation for Year 2?	Convention of Consistency
You are a bookkeeper for a small Pty Ltd company. An uninsured transit van was stolen from the business in June 2021. The police were notified and advised you that because of the make and model of the van, it was unlikely the vehicle would be recovered. Under which convention should you write the vehicle off in June 2021?	Convention of Conservatism
You are a bookkeeper for a small Pty Ltd company. The board have agreed to provide one of the directors with a personal loan of \$10,000.00 at an interest rate of 2.5% to be paid back over three (3) years. Under which convention should this information be disclosed to shareholders and new investors?	Convention of Disclosure

## Question 5

Explain the objective of the two accounting standards listed below.

### Assessor Instructions

Student responses are likely to include wording different from the sample answers provided. However, the acceptable responses must:

- be within the specified word limit
- reflect the exemplar answers below.

<p>AASB 116 Property, Plant and Equipment</p> <p>(Approximately 70-80 words)</p>	<p>The objective of this Standard is to prescribe the accounting treatment for property, plant and equipment so that users of the financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment. The principal issues in accounting for property, plant, and equipment are the recognition of the assets, the determination of their carrying amounts, and the depreciation charges and impairment losses that need to be recognised.</p> <p><a href="#">AASB116 08-15 COMPdec21 01-22.pdf</a></p>
<p>AASB 101 Presentation of Financial Statements</p> <p>(Approximately 50-60 words)</p>	<p>This Standard 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.</p> <p><a href="#">Compiled AASB 101 (Dec 2021)</a></p>

## Question 6

Identify two (2) key features of the financial reports listed below

### Assessor Instructions

Student responses are likely to include wording different from the sample answers provided. However, the acceptable responses must:

- be within the specified word limit
- include two (2) features
- reflect the exemplar answers below.

Financial Report	Key Features
<p>Trial Balances</p> <p>(Approximately 20-30 words)</p>	<ul style="list-style-type: none"><li>• Lists all the closing balances of all the ledger accounts.</li><li>• It is not an account. It is only a statement of accounts.</li><li>• Ledger balances are posted either on the debit or credit sides of the statement.</li><li>• Debit balances should equal the credit balances.</li><li>• The accuracy established by a trial balance is not proof that there are no mistakes in the books of accounts.</li></ul>
<p>Bank Account Reconciliation Report</p>	<ul style="list-style-type: none"><li>• Lists the period-end bank balance.</li></ul>

(Approximately 15-30 words)

- Lists the period the reconciliation report was created for.
- Explains the balance difference between the company's recorded amounts and bank statements.

### Question 7

List three practices recommended by the Australian Competition & Consumer Commission (ACCC) for protecting yourself when using online banking.

(Approximately 15-30 words per practice)

#### Assessor Instructions

Student responses are likely to include wording different from the sample answers provided. However, the acceptable responses must:

- be within the specified word limit
- include three practices
- reflect the exemplar answers below.

- Securing devices - Ensure that the device you use for online banking has software that helps protect against online threats. This means keeping any firewall, antivirus, and anti-malware software updated.
- Password complexity - Use a unique password that utilises a combination of letters and numbers; ideally, something that someone can't guess.
- Password security - Don't share your online banking password or PIN with anyone. Additionally, don't keep paper records of these types of credentials.
- Web address accuracy - Ensure your online banking web address is correct and not linked to a fake site.
- Bank statement diligence - Regularly review your banking statements to check for suspicious activity.
- Money transfer safety - Don't transfer money from your account to people you don't know.

### Question 8

- a. Explain the role of the Banking Code of Practice.

(Approximately 70-80 words)

#### Assessor Instructions

Student responses are likely to include wording different from the sample answers provided. However, the acceptable responses must:

- be within the specified word limit
- reflect the exemplar answers below.

The Banking Code of Practice is a set of promises outlining how a bank should conduct itself in its dealings with customers and specific requirements for banking services.

The Code is owned and published by the Australian Banking Association and is integral to the broader financial services consumer protection framework.

Banks can choose to sign up to the Code. When they do, they promise to meet the Code's standards of good banking practice.

- b. Identify three obligations that banks adhering to the Code have towards their customers

**Assessor Instructions**

An acceptable response must include three obligations listed in the exemplar answers below.

- account suitability
- terms and conditions
- direct debits and chargebacks
- privacy and confidentiality
- joint debtors
- guarantees
- provision of credit
- financial difficulty and debt collection
- dispute resolution

**Question 9**

Research the security measures CommBank have implemented to keep bank accounts safe.

[CommBank Safe - CommBank](#)

- a. List the three (3) ways you can safeguard your business banking.

**Assessor Instructions**

An acceptable response must include three safeguards listed in the exemplar answers below.

- Send and receive payments securely with PayID
- Set up multi-factor authentication on devices
- Ensure staff working from home are safely set up
- Create strong, unique passwords for your account
- Think before you click on any links or email attachments
- Review who has authority over your business accounts

- b. List three (3) ways you can limit the impact of fraud on a business when using an EFTPOS or merchant terminal when:
- Accepting online and over-the-phone payments
  - Processing in-store transactions

**Assessor Instructions**

Student responses are likely to include wording different from the sample answers provided. However, the acceptable responses must:

- be within the specified word limit
- include three ways to limit the impact of fraud on a business
- reflect the exemplar answers below.

Banking Method	Ways to Limit the Impact of Fraud on a Business
<p>Accepting online and over-the-phone payments (Approximately 30-80 words)</p>	<ul style="list-style-type: none"> <li>• If you're suspicious of an order, reject it</li> <li>• Where possible, use your gateway's inbuilt fraud tools, such as country code blocking, IP Whitelisting, Blacklisting, and Velocity checks. These are easy and cost-effective tools for authenticating a cardholder at the point of purchase</li> <li>• Where possible, use Mastercard Identity Check or Visa Secure to authenticate transactions</li> <li>• Ensure the Card Verification Value (3 digits on the back of the card) is switched on and checked when processing. It does not guarantee the cardholder is making the transaction, but it may guarantee the card is with the person making the transaction</li> <li>• Review sequential or recurring orders made to a single address with multiple cardholder names or card numbers</li> <li>• Request another form of payment, such as a bank account transfer, if there are multiple transactions charged to one card over a very short period or if a decline code appears on your screen</li>   <li>• Do not accept or offer split payment for a single order over multiple credit cards</li> <li>• Avoid delivering goods to a post office box for new customers</li> <li>• Develop processes to verify the photo identification of all new customers when they are placing orders online to collect in person</li> </ul> <p>Upon collection of goods:</p> <ul style="list-style-type: none"> <li>• Ask the cardholder to present a Photo ID as well as the card used to purchase the goods, confirm the name matches the name on the original order</li> <li>• Check the credit card security features to ensure it is a legitimate card</li> <li>• Ask the cardholder to sign an acknowledgement form to confirm receipt of goods</li> <li>• Check the signature matches the back of the credit card</li> <li>• It is recommended that for initial purchases, not permit new customers to</li> </ul>



	<p>use a third party to pick up goods for the first purchase</p> <p><a href="#">Preventing online and phone payment fraud - CommBank</a></p>
<p>Processing In-store transactions</p> <p>(Approximately 20-45 words)</p>	<p><b>Never accept a card if:</b></p> <ul style="list-style-type: none"> <li>• The terminal doesn't recognise the card</li> <li>• The card expiry date has passed</li> <li>• The card or the signature has been visibly altered or tampered with</li> <li>• The signature doesn't match that on the back of the card</li> <li>• The card is damaged</li> <li>• If any of these occur, ask the cardholder for another form of payment. This applies to all card types</li> </ul> <p><a href="#">EFTPOS fraud prevention - CommBank</a></p>

### Question 10

Explain the following Generally Accepted Accounting Principles (GAAP).

#### Assessor Instructions

Student responses are likely to include wording different from the sample answers provided. However, the acceptable responses must:

- be within the specified word limit
- reflect the exemplar answers below.

<p>Accrual Principle</p> <p>(Approximately 30-40 words)</p>	<p>Accrual accounting, which adheres to the revenue recognition, matching, and cost principles, captures the financial aspects of each economic event in the accounting period in which it occurs, regardless of when the cash changes hands.</p>
<p>Going concern principle</p> <p>(Approximately 70-80 words)</p>	<p>Financial statements are prepared assuming the company will remain in business indefinitely. Therefore, assets do not need to be sold at fire-sale values, and debt does not need to be paid off before maturity.</p> <p>This principle classifies assets and liabilities as short-term (current) and long-term (non-current). Long-term assets are expected to be held for more than one year. Long-term liabilities are not due for more than one year.</p>
<p>Matching principle</p> <p>(Approximately 10-20 words)</p>	<p>The business costs are recorded in the same period as the revenue they help to generate.</p>
<p>Historical Cost Principle</p> <p>(Approximately 35-45 words)</p>	<p>The Historical Cost Principle requires companies to record the purchase of goods, services, or capital assets at the price they paid for them. Assets then remain on the balance sheet at their historical without being adjusted for fluctuations in market value.</p>

Revenue recognition principle (Approximately 15-30 words)	Revenue is earned and recognised upon product delivery or service completion without regard to cash flow timing.
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**Questions 11 to 13 require downloading and referring to the Isla & Co Policy & Procedures Manual. (Accessible via LMS)**

**Question 11**

For Isla & Co:

- list what needs to be included when generating a customer invoice
- the procedure for writing off bad debts.

**Assessor Instructions**

An acceptable response must match the exemplar answers below.

Question 11a
<p>Customer invoices must include the following:</p> <ul style="list-style-type: none"> <li>the words 'Tax Invoice'</li> <li>Isla &amp; Co's business name – Isla &amp; Co Pty Ltd</li> <li>Isla &amp; Co's ABN – 11 111 111 138</li> <li>an invoice number issued in numerical sequence order</li> <li>the date the invoice was issued</li> <li>payment due date</li> <li>a brief description of the items sold, including the quantity and the price</li> <li>the GST amount included for each item sold</li> <li>the buyer's identity and buyer's ABN if the sale is over \$1,000.00</li> <li>identify the sale as fully taxable by including the words 'Total price includes GST'.</li> </ul>
Question 11b
<p>The Finance Manager is to apply to the Managing Director to write off a receivable when the following criteria have been met:</p> <ul style="list-style-type: none"> <li>the procedures outlined in the Customer Credit Limit Policy have been followed, and it has been determined that the receivable is uncollectible</li> <li>the amount outstanding is less than \$10.00 (excluding GST), and it is not viable to chase the debt.</li> </ul> <p>The Write Off Request should be sent to the General Manager and include the following information:</p> <ul style="list-style-type: none"> <li>a statement signed by the Finance Manager stating that, in their opinion, the accounts are uncollectible and should be written off</li> <li>a list showing each debtor's name, the dollar amounts due and the basis for determining the account to be uncollectible</li> <li>the total dollar amount to be written off</li> <li>the total number of accounts to be written off.</li> </ul> <p>Once approval has been given from the General Manager, the debt can be written off.</p>

## Question 12

- a. List two security procedures Isla & Co have implemented when:
- processing cash
  - storing cash
  - banking cash.
- b. List two security procedures Isla & Co have implemented for EFT:
- online and over-the-phone payments
  - in-store transactions.

### Assessor Instructions

The acceptable responses must include the following:

- two security procedures for processing cash
- two security procedures for storing cash
- two security procedures for banking cash

that matches the exemplar answers below.

Question 12a. Cash Security Procedures	
Processing Cash	<ul style="list-style-type: none"><li>• A secure area for processing and safeguarding funds received is to be used and restricted to authorised staff only.</li><li>• When cash is counted by staff, it is to be conducted out of sight of the public.</li></ul>
Storing Cash	<ul style="list-style-type: none"><li>• All cash and cheques must be protected using a cash register or safe until deposited. Cash must be stored in the safe when it must be held in an office or stored for any length of time.</li><li>• The cash drawer must be closed immediately after completing the transaction. All cash income should be held intact.</li><li>• Under no circumstances should deductions be made (i.e. to replenish petty cash floats) without the prior approval of the Finance Manager.</li></ul>
Banking Cash	<ul style="list-style-type: none"><li>• The employee must empty the cash drawer in the presence of their supervisor.</li><li>• The cash must be counted and recorded in the Daily Cash Log, and the amount must be confirmed with signatures from the employee and supervisor.</li><li>• Each Monday, cash and cheques must be deposited into Isla &amp; Co's bank account. If necessary, the frequency of deposits can be increased to ensure the cash held on the premises does not exceed \$500.00.</li><li>• Cash must be deposited through a cashier at your nearest Commonwealth Bank branch. It is preferable, where practical, for employees who deliver the cash deposit to be escorted by another employee.</li><li>• A stamped and signed deposit slip must be obtained from the cashier to verify proof of lodgement.</li></ul>

### Assessor Instructions

The acceptable responses must include the following:

- two security procedures implemented for online and over-the-phone payments that match the exemplar answers below

- two security procedures implemented for processing in-store transactions that match the exemplar answers below.

Question 12b. EFT Security Procedures	
<b>Online and over-the-phone payments</b>	<ul style="list-style-type: none"> <li>• If you're suspicious of an order, reject it</li> <li>• Use Mastercard Identity Check or Visa Secure to authenticate transactions</li> <li>• Ensure the Card Verification Value (3 digits on the back of the card) is switched on and checked when processing. It does not guarantee the cardholder is making the transaction, but it may guarantee the card is with the person making the transaction</li> <li>• Review sequential or recurring orders made to a single address with multiple cardholder names or card numbers</li> <li>• Request another form of payment, such as a bank account transfer, if there are multiple transactions charged to one card over a very short period or if a decline code appears on your screen</li> <li>• Do not accept or offer split payment for a single order over multiple credit cards</li> <li>• Avoid delivering goods to a post office box for new customers</li> </ul>
<b>In-store transactions</b>	<p>Never accept a card if:</p> <ul style="list-style-type: none"> <li>• The terminal doesn't recognise the card</li> <li>• The card expiry date has passed</li> <li>• The card or the signature has been visibly altered or tampered with</li> <li>• The signature doesn't match that on the back of the card</li> <li>• The card is damaged</li> </ul>

### Question 13

List two safety procedures Isla & Co have implemented for:

- Internet Banking
- ATM Banking

#### Assessor Instructions

The acceptable responses must include the following:

- two safety procedures implemented for internet banking that match the exemplar answers below
- two safety procedures implemented for ATM banking that match the exemplar answers below.

<b>Internet Banking</b>	<ul style="list-style-type: none"> <li>• Always log in by typing <a href="https://www.commbank.com.au/">https://www.commbank.com.au/</a> into your browser's address bar, not by clicking on any links that you've been sent</li> <li>• Scan your computer regularly for viruses and spyware</li> <li>• Be wary of texts, phone calls or emails asking for your banking details. CommBank will never message you for this information</li> <li>• <b>NetCode</b> - Isla has registered for NetCode for an added security layer. The bank will send you an SMS or push notification with a time-sensitive password when you must complete certain transactions.</li> <li>• <b>Two-Factor Authentication</b> - When updating your account profile details on Internet Banking, you may receive an SMS or email notification to verify various online banking activities.</li> <li>• Two-factor authentication (2FA) is an extra layer of protection for CommBank online banking activities.</li> <li>• <b>Automatic time-outs</b> - If you forget to log out of online banking, CommBank automatically time-out your session.</li> </ul>
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## ATM Banking

- Protect your details when using an ATM by:
- Memorising your PIN: don't write it down or keep it on you.
- Cover the ATM's keypad when you're typing in your PIN.
- Be aware of anyone looking over your shoulder
- Store your cash safely in your purse or wallet before leaving the ATM
- Use Tap & PIN where possible, as it is a more secure alternative and reduces skimming opportunities.

### Question 14

List two obligations you have if you run a business with a GST turnover of \$75,000 or more under 'A New Tax System (Goods and Services Tax) Act 1999'

(Approximately 30-60 words)

#### Assessor Instructions

Student responses are likely to include wording different from the sample answers provided. An acceptable response must reflect two (2) of the obligations listed below

- register for GST
- work out whether your sales are taxable (that is, subject to GST and not exempted because they are GST-free or input-taxed) and include GST in the price of your taxable sales
- issue tax invoices for your taxable sales and obtain tax invoices for your business purchases
- claim GST credits for GST included in the price of your business purchases
- account for GST on either a cash or non-cash basis and put aside the GST you collected so you can pay it to us when due
- lodge activity statements or annual returns to report your sales and purchases and pay GST to us or receive a GST refund.

### Question 15

What are Australian Accounting Standards, and how do they impact the preparation of financial statements?

(Approximately 40-50 words)

#### Assessor Instructions

Student responses are likely to include wording different from the sample answers provided. An acceptable response must reflect the benchmark answer below.

Australian Accounting Standards set out the required accounting measurements and disclosures to ensure all entities similarly record transactions. They aim to provide transparency, reliability, consistency, and comparability to the way transactions are processed and the preparation and presentation of the financial statements.

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

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