

No part of the candidate's evidence in this exemplar material may be presented in an external assessment for the purpose of gaining an NZQA qualification or award.

SUPERVISOR'S USE ONLY

3

91404



Draw a cross through the box (X) if you have NOT written in this booklet

☐

+



Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Level 3 Accounting 2024

91404 Demonstrate understanding of accounting concepts for a New Zealand reporting entity

Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of accounting concepts for a New Zealand reporting entity.	Demonstrate in-depth understanding of accounting concepts for a New Zealand reporting entity.	Demonstrate comprehensive understanding of accounting concepts for a New Zealand reporting entity.

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

You should attempt ALL the questions in this booklet.

If you need more room for any answer, use the extra space provided at the back of this booklet.

Check that this booklet has pages 2–8 in the correct order and that none of these pages is blank.

Do not write in the margins (// // // //). This area will be cut off when the booklet is marked.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

Achievement

TOTAL 12


This assessment is based on *Tourism Holdings Limited's* Annual Report for the year ended 30 June 2023.

Tourism Holdings Limited is an Aotearoa New Zealand tourism company that manufactures, rents, and sells recreational vehicles (RVs) including motorhomes, campervans, and caravans. It is also involved in other tourist activities, such as Waitomo Caves and black water rafting.

In this assessment, **THL** can be used to refer to *Tourism Holdings Limited*.

QUESTION ONE

- (a) The following is an extract from the Our People and Responsibility section of the annual report.



THRIVE
SUPPORTING OUR CREW, CREATING
A HEALTHY CULTURE, AND BUILDING
CULTURAL CAPABILITY

GOALS

- Employee health
- Living wage
- Fair employment terms
- Employee discrimination
- Employee concerns

With reference to the goals identified, explain why this information would be of interest to a potential employee of *Tourism Holdings Limited*.

~~The~~ This information would be of interest to a potential employee of ~~THL~~ THL because the company's goals show how they care about their employees, this would mean for the employee that they do have job security because the company has rules to prevent employee discrimination.

- (b) Explain why a potential employee would be interested in the consolidated statement of cash flows in the financial statements section of the annual report.

In your answer, include:

- the purpose of the consolidated statement of cash flows
- specific information in the consolidated statement of cash flows that would be of interest to a potential employee.

The purpose of the consolidated statement of cash flow ^{and outflows} is to show THL's ~~various~~ forms of profits from their operating, investing and financing activities. This information would be useful specifically the expenses which includes wages paid to employees. This information can help

potential employees of THL to see how much their employees get paid and how much cash/bank ~~accounts~~ ~~received~~ that THL makes to know if they're paying their employees fairly compared to the amount of cash the entity makes.

The independent auditors' report includes the following statement.

In our opinion, the accompanying consolidated financial statements of *Tourism Holdings Limited* (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2023, its financial performance and its cash flows for the year ended in accordance with New Zealand Equivalents to *International Financial Reporting Standards* (NZ IFRS) and *International Financial Reporting Standards* (IFRS).

(c) Explain why a potential shareholder would be interested in this statement from the auditors. In your answer, include:

- reference to the qualitative characteristics of faithful representation and comparability
- how this statement enables a shareholder to make decisions based on the financial statements with confidence.

Potential Shareholders would be interested in this statement from the auditors because it would show if the statements are made in accordance with NZ GAAP and NZ ~~IFRS~~ IFRS and if the statements are free from bias meaning it is made by an independent neutral 3rd party (auditors). These statements can also be used to compare them to other companies or to THL themselves to see their financial performance over the years. This is to ensure that THL ~~still~~ has a good financial performance so shareholders can gain ~~from~~ money by buying shares in the company. This will help enable the shareholder to make a decision on if they wish to buy shares in THL based on their financial statements with confidence.

QUESTION TWO

- (a) Tourism Holdings Limited paid audit fees of \$1 125 000 to PwC New Zealand. Explain why audit fees are reported as revenue expenditure in the financial statements of Tourism Holdings Limited.

Audit fees of \$1 125 000 are reported as revenue expenditure in the financial statements of THL because audit fees only relate to the current accounting period and must be in the financial statements of that current accounting period only since it gets used up for only that year/period.

- (b) Justify how and why the income tax expense of \$17m is treated differently to the current tax payable of \$13m as reported in the financial statements of Tourism Holdings Limited. In your answer include reference to the relevant financial statements and recognition criteria applied to reporting these financial elements.

Current tax payable of \$13m is a current liability that is reported in the Statement of Financial Position, whereas as the income tax expense of \$17m is what is subtracted from the profit for the year in the Statement of Comprehensive Income.

They are treated differently because the current tax payable is a liability for THL ~~whereas~~ which is expected to be settled in the current accounting period whereas the income tax expense of \$17m is an expense for that year only and must be paid at the end of the year/period.

QUESTION THREE

Use the information contained in the following property, plant, and equipment note extract for *Tourism Holdings Limited* to answer this question.

Property, plant, and equipment is made up of the following assets:

- motorhomes – comprises the rental fleet of the rentals business; motorhomes that are held for sale are reclassified from property, plant, and equipment to inventory
- motor vehicles
- land and buildings
- other plant and equipment
- capital work in progress – capital purchases and projects that are not yet in service; the most significant work in progress relates to the motorhome fleet built for the next season.

Land and buildings are shown at historical cost, less subsequent accumulated depreciation for buildings. Land is not depreciated. All other property, plant, and equipment are stated at historical cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the period in which they are incurred.

Justify why items of property, plant, and equipment are reported as assets in the statement of financial position for *Tourism Holdings Limited*.

In your answer, explain:

- why motorhomes held for sale are classified as inventory in current assets, while rental motorhomes are classified as property, plant, and equipment
 - how historical cost is applied to the measurement of property, plant, and equipment
 - how the work in progress of the motorhome fleet meets the definition of an asset and why it is an example of capital expenditure associated with property, plant, and equipment.
- Motorhomes for sale are classified as ~~int~~ inventory in current assets because THL is expected to receive cash flows for it in that current accounting period since it is a current asset that will be sold. Whereas rental homes are classified as ~~the~~ property, plant and equipment because it is an asset that will not be sold/settled in the current accounting period since property, plant and equipment is a non-current asset.
- The measurement base used for property, plant and equipment is historical cost which means that it ~~is~~ uses the value that was paid for the PPE. This means that it will not

be relevant ~~as~~ ~~is~~ and is not capable of making a difference to the decisions of users since ~~the~~ PPE is recorded at its original purchase price, it does not reflect what it is currently worth. However it does have faithful representation as the source documents (invoice) have come from an independent neutral 3rd party (supplier) which proves market value of transaction.

- Work in progress of motorfleet homes are assets because it is an economic resource that has potential economic benefit. ~~This is the~~ ~~the~~ THL has ownership of the motorfleethomes which restricts/prevents anyone from accessing it without permission. This asset is from a past event (buying land to build the homes). This is capable of making a difference to the decisions of users as THL will earn money from selling the homes.
- This is associated with PPE as capital expenditure because it is an asset that is expected to be received beyond the current accounting period. This is because the motorfleet homes are being built for next season.

Subject: Accounting

Standard: 91404

Total score: 12

Q	Grade score	Marker commentary
One	A4	<p>The candidate provided the following two explanations with some reference to context:</p> <ul style="list-style-type: none">• potential benefits to employees of the Our People and Responsibility extract from <i>Tourism Holdings Limited's</i> Annual Report• faithful representation, as <i>Tourism Holdings Limited's</i> statements is free from bias and follows NZ GAAP. <p>The explanation of the purpose of the consolidated statement of cash flow was incorrect as profit is a component of the comprehensive income statement.</p>
Two	A4	<p>The candidate provided the following two explanations with some reference to context:</p> <ul style="list-style-type: none">• revenue expenditure, as audit fees relate to the current accounting period only for Tourism Holdings Limited• income tax is an expense in <i>Tourism Holdings Limited's</i> comprehensive income statement• income tax payable is a current liability in <i>Tourism Holdings Limited's</i> statement of financial position. <p>The candidate made no response to the recognition criteria for either the expense or current liability.</p>
Three	A4	<p>The candidate provided the following three explanations with some reference to context:</p> <ul style="list-style-type: none">• historical cost• how the work in progress of the motorhome fleet meets the three characteristics of the asset definition• capital expenditure. <p>The explanation of the distinction between current and non-current assets is incorrect as this applies to the next accounting period and not the current accounting period as the candidate stated.</p>