

**Assessment Schedule – 2014****Accounting: Demonstrate understanding of accounting concepts for a New Zealand reporting entity (91404)****Evidence Statement**

Question	Evidence
<p><b>ONE</b> (a)</p>	<p>If <i>Hallenstein Glasson Holdings Limited</i> experiences financial difficulties and cannot pay its debts, the company's shareholders are not personally liable for <i>Hallenstein Glasson Holdings Limited's</i> debts, as shareholders' personal assets are protected, and cannot be sold to repay <i>Hallenstein Glasson Holdings Limited's</i> debts.</p> <p>The extent of <i>Hallenstein Glasson Holdings Limited's</i> shareholders' liability is limited to any amounts outstanding on their shares, or any liability imposed on them by the company's constitution.</p> <p>The circumstances when limited liability may not protect a <i>Hallenstein Glasson Holdings Limited's</i> director (who is also a shareholder) can include: if the director has given a personal guarantee for a company debt, or if the director acts negligently – e.g. making a distribution to the shareholders when the company fails the solvency test.</p>
(b)	<p>The cost constraint on useful financial reporting is that the benefits of producing general purpose financial statements that have been prepared in accordance with NZ GAAP, and have full compliance with NZ IFRS, would outweigh the costs incurred by <i>Hallenstein Glasson Holdings Limited</i>.</p> <p>This is because <i>Hallenstein Glasson Holdings Limited</i> is an issuer / has public accountability and has many users interested in their general purpose financial statements, and as the shareholders / creditors / lenders are separate from the governing body (directors), they do not have easy access to information about <i>Hallenstein Glasson Holdings Limited</i>.</p>
(c)	<p>The purpose of the Statement of Cash Flows is to provide information about the historical changes in cash of <i>Hallenstein Glasson Holdings Limited</i></p> <p>OR</p> <p>The purpose of the Statement of Cash Flows is to show suppliers where <i>Hallenstein Glasson Holdings Limited's</i> cash has come from, and what the cash has been spent on during the year / accounting period.</p> <p>The Statement of Cash Flows provides suppliers of <i>Hallenstein Glasson Holdings Limited</i> with a basis to assess the ability of <i>Hallenstein Glasson Holdings Limited</i> to generate cash, and the needs of <i>Hallenstein Glasson Holdings Limited</i> to utilise those cash flows. This can assist suppliers in determining whether amounts owing to them will be paid when due, or whether to extend credit to <i>Hallenstein Glasson Holdings Limited</i>.</p>
(d)	<p>An auditor's report is a statutory requirement, as it provides an independent opinion that:</p> <ul style="list-style-type: none"> <li>• proper accounting records have been kept by <i>Hallenstein Glasson Holdings Limited</i>, as far as appears from the auditors' examination of those records</li> <li>• the financial statements of <i>Hallenstein Glasson Holdings Limited</i> comply with New Zealand Generally Accepted Accounting Practice and International Financial Reporting Standards</li> <li>• the financial statements give a true and fair view of the financial position of <i>Hallenstein Glasson Holdings Limited</i> as at 1 August 2013, and their financial performance and cash flows for the period then ended.</li> </ul>

<b>Not Achieved</b>	<b>N1</b>	Any ONE Achievement criteria <i>OR</i> any TWO other question parts attempted, but missing Achievement criteria because of a lack of context.
	<b>N2</b>	Any ONE Achievement criteria <i>AND</i> any TWO other question parts attempted, but missing Achievement criteria because of a lack of context.
<b>Achievement</b>	<b>A3</b>	Any TWO of: <ul style="list-style-type: none"> <li>reference to <i>Hallenstein Glasson Holdings Limited's</i> shareholders being not personally liable / <i>Hallenstein Glasson Holdings Limited's</i> shareholders' personal assets being protected</li> <li>describes that the benefit of preparing financial reports outweighs the cost</li> <li>reference to the Statement of Cash Flows providing information about the changes in <i>Hallenstein Glasson Holdings Limited's</i> cash position</li> <li>an auditor's report provides an independent opinion <i>OR</i> gives a true and fair view.</li> </ul>
	<b>A4</b>	Any THREE of: <ul style="list-style-type: none"> <li>reference to <i>Hallenstein Glasson Holdings Limited's</i> shareholders being not personally liable / <i>Hallenstein Glasson Holdings Limited's</i> shareholders' personal assets being protected</li> <li>describes that the benefit of preparing financial reports outweigh the cost</li> <li>reference to the Statement of Cash Flows providing information about the changes in <i>Hallenstein Glasson Holdings Limited's</i> cash position</li> <li>an auditor's report provides an independent opinion <i>OR</i> gives a true and fair view.</li> </ul>
<b>Merit</b>	<b>M5</b>	Any TWO of: <ul style="list-style-type: none"> <li>limited liability described, linked with a reasonable example showing how limited liability applies to <i>Hallenstein Glasson Holdings Limited's</i> shareholders</li> <li>describes that the benefit exceeds the costs of preparing general purpose financial statements / financial statements prepared in accordance with NZ GAAP / financial statements with full compliance to NZ IFRS</li> <li>a valid reason described how suppliers would use the information in <i>Hallenstein Glasson Holdings Limited's</i> Statement of Cash Flows</li> <li>a valid reason described why an auditor's report is a statutory requirement.</li> </ul>
	<b>M6</b>	Any THREE of: <ul style="list-style-type: none"> <li>limited liability described, linked with a reasonable example showing how limited liability applies to <i>Hallenstein Glasson Holdings Limited's</i> shareholders</li> <li>describes that the benefit exceeds the costs of preparing general purpose financial statements / financial statements prepared in accordance with NZ GAAP / financial statements with full compliance to NZ IFRS</li> <li>a valid reason described how suppliers would use the information in <i>Hallenstein Glasson Holdings Limited's</i> Statement of Cash Flows</li> <li>a valid reason described why an auditor's report is a statutory requirement.</li> </ul>

<b>Excellence</b>	<b>E7</b>	<p>Any TWO of:</p> <ul style="list-style-type: none"> <li>• limited liability is explained that includes one circumstance in which limited liability may not protect the directors of <i>Hallenstein Glasson Holdings Limited</i></li> <li>• the benefit exceeds the costs of preparing general purpose financial statements / financial statements prepared in accordance with NZ GAAP / financial statements with full compliance to NZ IFRS is linked to <i>Hallenstein Glasson Holdings Limited</i> being an issuer / public accountability and having many users</li> <li>• the purpose of the Statement of Cash Flows is linked to how suppliers would use the information in <i>Hallenstein Glasson Holdings Limited's</i> Statement of Cash Flows</li> <li>• a valid reason explained why an auditor's report is a statutory requirement that includes how an auditor's report provides an independent opinion.</li> </ul>
	<b>E8</b>	<p>Any THREE of:</p> <ul style="list-style-type: none"> <li>• limited liability is explained that includes one circumstance in which limited liability may not protect the directors of <i>Hallenstein Glasson Holdings Limited</i></li> <li>• the benefit exceeds the costs of preparing general purpose financial statements / financial statements prepared in accordance with NZ GAAP / financial statements with full compliance to NZ IFRS is linked to <i>Hallenstein Glasson Holdings Limited</i> being an issuer / public accountability and having many users</li> <li>• the purpose of the Statement of Cash Flows is linked to how suppliers would use the information in <i>Hallenstein Glasson Holdings Limited's</i> Statement of Cash Flows</li> <li>• a valid reason explained why an auditor's report is a statutory requirement that includes how an auditor's report provides an independent opinion.</li> </ul>

**N0** = No response; no relevant evidence.

Question	Evidence
<p><b>TWO</b> (a)</p>	<p>Comparability is achieved when comparisons of financial statements are made between different entities, and of the same entity, over different time periods. The same accounting policies, followed from year to year with the same methods used to measure the financial elements, will lead to <i>Hallenstein Glasson Holdings Limited's</i> general purpose financial statements being prepared in a consistent way. This allows current shareholders to make comparisons between <i>Hallenstein Glasson Holdings Limited's</i> general purpose financial statements and other New Zealand reporting entities listed on NZX, and of <i>Hallenstein Glasson Holdings Limited</i> over different time periods.</p>
(b)	<p>A liability is a present obligation of <i>Hallenstein Glasson Holdings Limited</i> arising from past events, the settlement of which is expected to result in an outflow from <i>Hallenstein Glasson Holdings Limited</i> of resources embodying economic benefits.</p> <p>Taxation Payable is a liability as <i>Hallenstein Glasson Holdings Limited</i> must pay the amount owing for taxation to the IRD otherwise a penalty/late fee will be charged to the company.</p> <p>The Taxation Payable account was incurred at the end of the period when the amount of provisional taxation paid by <i>Hallenstein Glasson Holdings Limited</i> during the year was offset against the actual taxation expense once net profit has been calculated.</p> <p>The Taxation Payable account is classified as a current liability as <i>Hallenstein Glasson Holdings Limited</i> is required to give up cash to pay the amount owing for taxation within the next year/ 12 months from balance sheet date/within the normal operating cycle of the company. This cash, once paid, cannot be used elsewhere.</p>
(c)	<p>The obsolescent stock is included in inventory at the lower of cost or net realisable value, as this is the probable future economic benefit to flow to <i>Hallenstein Glasson Holdings Limited</i>, when this type of inventory is sold to customers. Inventory adjustments at year end results in obsolescent stock being valued at net realisable value as this is the probable future economic benefit to flow to <i>Hallenstein Glasson Holdings Limited</i> when sold to customers.</p>
(d)	<p>Explains the supplier expenses:</p> <ul style="list-style-type: none"> <li>• \$145.7 million (rounded) will be reported as supplier expenses in the Income Statement for the year, as this is the amount of these expenses for the period (ended 1 August 2013) – as the \$2.6 million (rounded) of the supplier expenses paid in advance relates to the next accounting period/ next year.</li> </ul> <p>Explains the asset:</p> <ul style="list-style-type: none"> <li>• The \$2.6 million (rounded) of supplier expenses/prepayment will be reported as a current asset in the Balance Sheet on balance day because these prepaid supplier expenses represent future economic benefit – the supplier services will be received next period/ money may need to be refunded to <i>Hallenstein Glasson Holdings Limited</i>, if the supplier services are not provided next year.</li> </ul>

<b>Not Achieved</b>	<b>N1</b>	Any ONE Achievement criteria <i>OR</i> any TWO other question parts attempted, but missing Achievement criteria because of a lack of context.
	<b>N2</b>	Any ONE Achievement criteria <i>AND</i> any TWO other question parts attempted, but missing Achievement criteria because of a lack of context.
<b>Achievement</b>	<b>A3</b>	Any THREE of: <ul style="list-style-type: none"> <li>• Comparison of financial statements can be made between different entities <i>OR</i> the same entity over different time periods</li> <li>• a liability has a present obligation and a past transaction and results in an outflow of economic benefit</li> <li>• a current liability has to be within the next year / future year / next period</li> <li>• identifies that the obsolescent stock is valued at the amount that <i>Hallenstein Glasson Holdings Limited</i> expects the inventory will be sold for</li> <li>• \$145.7 million is the amount of supplier expenses reported in the Income Statement for the current period / \$2.6 million will be reported in next year's Income Statement</li> </ul> <p style="text-align: center;"><i>OR</i></p> <p>\$2.6 million is a current asset reported at the end of period, or on balance day, or in the Balance Sheet at the end of the period.</p>
	<b>A4</b>	Any FOUR of: <ul style="list-style-type: none"> <li>• Comparison of financial statements can be made between different entities <i>OR</i> the same entity over different time periods</li> <li>• a liability has a present obligation and a past transaction and results in an outflow of economic benefit</li> <li>• a current liability has to be within the next year / future year / next period</li> <li>• identifies that the obsolescent stock is valued at the amount that <i>Hallenstein Glasson Holdings Limited</i> expects the inventory will be sold for</li> <li>• \$145.7 million is the amount of supplier expenses reported in the Income Statement for the current period / \$2.6 million will be reported in next year's Income Statement</li> </ul> <p style="text-align: center;"><i>OR</i></p> <p>\$2.6 million is a current asset reported at the end of period, or on balance day, or in the Balance Sheet at the end of the period.</p>

<p><b>Merit</b></p>	<p><b>M5</b></p>	<p>Any THREE of:</p> <ul style="list-style-type: none"> <li>• following the same accounting policies will lead to <i>Hallenstein Glasson Holdings Limited's</i> financial statements being prepared in a consistent way</li> <li>• a valid reason described why taxation payable results in a present obligation for <i>Hallenstein Glasson Holdings Limited</i></li> <li>• describes that <i>Hallenstein Glasson Holdings Limited</i> is required to give up cash in the next year / period to repay the amount owing for taxation payable</li> <li>• describes the obsolescent stock valued at the lower of cost or net realisable value is the probable future economic benefit to flow to <i>Hallenstein Glasson Holdings Limited</i> when sold to customers</li> <li>• explains the supplier expenses OR explains the asset.</li> </ul>
	<p><b>M6</b></p>	<p>Any FOUR of:</p> <ul style="list-style-type: none"> <li>• following the same accounting policies will lead to <i>Hallenstein Glasson Holdings Limited's</i> financial statements being prepared in a consistent way</li> <li>• a valid reason described why taxation payable results in a present obligation for <i>Hallenstein Glasson Holdings Limited</i></li> <li>• describes that <i>Hallenstein Glasson Holdings Limited</i> is required to give up cash in the next year / period to repay the amount owing for taxation payable</li> <li>• describes the obsolescent stock valued at the lower of cost or net realisable value is the probable future economic benefit to flow to <i>Hallenstein Glasson Holdings Limited</i> when sold to customers</li> <li>• explains the supplier expenses OR explains the asset.</li> </ul>

<b>Excellence</b>	<b>E7</b>	<p>Any THREE of:</p> <ul style="list-style-type: none"> <li>• explains how comparability is achieved by linking the act of following the same accounting policies and will lead to <i>Hallenstein Glasson Holdings Limited's</i> financial statements being prepared in a consistent way</li> <li>• explains the past event for <i>Hallenstein Glasson Holdings Limited</i> that incurred the taxation payable account</li> <li>• links the outflow from <i>Hallenstein Glasson Holdings Limited</i> of resources embodying economic benefits to explaining why taxation payable is a current liability</li> <li>• explains that inventory adjustments at year end results in obsolescent stock being valued at net realisable value as this is the probable future economic benefit to flow to <i>Hallenstein Glasson Holdings Limited</i> when sold to customers</li> <li>• explains the supplier expenses</li> </ul> <p><i>AND</i></p> <p>explains the asset.</p>
	<b>E8</b>	<p>Any FOUR of:</p> <ul style="list-style-type: none"> <li>• explains how comparability is achieved by linking the act of following the same accounting policies and will lead to <i>Hallenstein Glasson Holdings Limited's</i> financial statements being prepared in a consistent way</li> <li>• explains the past event for <i>Hallenstein Glasson Holdings Limited</i> that incurred the taxation payable account</li> <li>• links the outflow from <i>Hallenstein Glasson Holdings Limited</i> of resources embodying economic benefits to explaining why taxation payable is a current liability</li> <li>• explains that inventory adjustments at year end results in obsolescent stock being valued at net realisable value as this is the probable future economic benefit to flow to <i>Hallenstein Glasson Holdings Limited</i> when sold to customers</li> <li>• explains the supplier expenses</li> </ul> <p><i>AND</i></p> <p>explains the asset.</p>

**N0** = No response; no relevant evidence.

Question	Evidence
<p><b>THREE</b></p>	<p>An asset is a resource controlled by <i>Hallenstein Glasson Holdings Limited</i> as a result of past events (usually transactions), and from which future economic benefits are expected to flow to <i>Hallenstein Glasson Holdings Limited</i>.</p> <p>Only <i>Hallenstein Glasson Holdings Limited</i> can benefit from the land and buildings revalued to fair value, which excludes others from using the land and buildings to earn income.</p> <p>The land and buildings have been purchased in the past by <i>Hallenstein Glasson Holdings Limited</i>. On 1 August 2013 a series of past events to revalue <i>Hallenstein Glasson Holdings Limited's</i> land and buildings to their fair value occurred. This included the independent valuers of <i>Colliers International and Telfer Young (Hawkes Bay) Ltd</i> revaluing the land and buildings, on the basis of recent market transactions on arm's-length terms of surrounding properties.</p> <p><i>Hallenstein Glasson Holdings Limited</i> gains future economic benefits when it uses the land and buildings to sell clothing and fashion accessories to customers, which ultimately brings cash into <i>Hallenstein Glasson Holdings Limited</i>. This cash can then be used to repay loan and/or interest, so it is important that the future economic benefit exists from the bank manager's point of view.</p> <p>The bank manager can rely on the fair value of the land and buildings as loan security, as this amount can be reported in <i>Hallenstein Glasson Holdings Limited's</i> balance sheet only if it meets both the recognition criteria of an asset of probable future economic benefit with a cost having a reliable measure.</p> <p>Having the land and buildings revalued to fair value means there is probable future economic benefit, as these are the main revenue generating assets that <i>Hallenstein Glasson Holdings Limited</i> use for selling their inventory to customers, bringing in the money needed to repay the loan/interest from the bank manager's point of view.</p> <p>The fair value of the land and buildings has been determined by independent third-party valuation experts <i>Colliers International and Telfer Young (Hawkes Bay) Ltd</i>, a member of the New Zealand Institute of Valuers. This means that amount of land and buildings reported in the balance sheet is free from bias/faithfully represents the assets and its potential to generate future economic benefit, bringing in the money needed to repay the loan/interest from the bank manager's point of view.</p> <p>Relevant information is described as any financial information that is capable of making a difference in the decisions made by any user of <i>Hallenstein Glasson Holdings Limited's</i> financial statements. The chairman's statement will influence the bank manager's decision to approve the loan, as this illustrates that <i>Hallenstein Glasson Holdings Limited</i> is a cash-rich company that has no other forms of loans or mortgages. Therefore, <i>Hallenstein Glasson Holdings Limited</i> has strong cash reserves needed to repay the company's only loan/interest, as well as having the fair value of land and buildings for security over the loan.</p>



<b>Not Achieved</b>	<b>N1</b>	Candidate writes about relevance <i>OR</i> the characteristics of an asset, with no context <i>OR</i> the recognition of an asset, with no context.
	<b>N2</b>	Candidate writes about the characteristics <i>AND</i> recognition of an asset, with no context.
<b>Achievement</b>	<b>A3</b>	Any FOUR of: <ul style="list-style-type: none"> <li>• only <i>Hallenstein Glasson Holdings Limited</i> can use the land and buildings</li> <li>• states that the land and buildings have been purchased in the past by <i>Hallenstein Glasson Holdings Limited</i> and then has been revalued to its fair value</li> <li>• <i>Hallenstein Glasson Holdings Limited</i> will benefit in the future as land and buildings are used to earn income for the company</li> <li>• there is a probable economic benefit for <i>Hallenstein Glasson Holdings Limited</i> as the land and buildings will be used to sell the inventory of the company</li> <li>• reliable measure of the land and buildings' fair value from an independent party</li> <li>• describes ONE of an asset characteristics or recognition criteria, from a bank manager's point of view</li> <li>• describes how the reference to <i>Hallenstein Glasson Holdings Limited's</i> cash reserves in the chairman's statement influences a bank manager's decision to approve a loan</li> </ul> <i>OR</i> describes how the reference to the group remaining debt free in the chairman's statement influences a bank manager's decision to approve a loan.
	<b>A4</b>	Any FIVE of: <ul style="list-style-type: none"> <li>• only <i>Hallenstein Glasson Holdings Limited</i> can use the land and buildings</li> <li>• states that the land and buildings have been purchased in the past by <i>Hallenstein Glasson Holdings Limited</i> and then has been revalued to its fair value</li> <li>• <i>Hallenstein Glasson Holdings Limited</i> will benefit in the future, as land and buildings are used to earn income for the company</li> <li>• there is a probable economic benefit for <i>Hallenstein Glasson Holdings Limited</i>, as the land and buildings will be used to sell the inventory of the company</li> <li>• reliable measure of the land and buildings' fair value from an independent party</li> <li>• describes ONE of an asset characteristics or recognition criteria, from a bank manager's point of view</li> <li>• describes how the reference to <i>Hallenstein Glasson Holdings Limited's</i> cash reserves in the chairman's statement influences a bank manager's decision to approve a loan</li> </ul> <i>OR</i> describes how the reference to the group remaining debt free in the chairman's statement influences a bank manager's decision to approve a loan.

<b>Merit</b>	<b>M5</b>	<p>Any FOUR of:</p> <ul style="list-style-type: none"> <li>• the control – idea <i>Hallenstein Glasson Holdings Limited</i> to benefit/ <i>Hallenstein Glasson Holdings Limited</i> can exclude others from benefitting from using the land and buildings</li> <li>• describes that the land and buildings have been purchased in the past by <i>Hallenstein Glasson Holdings Limited</i>, and then has been revalued to its fair value on the basis of recent market transactions on arm’s-length terms of surrounding properties</li> <li>• <i>Hallenstein Glasson Holdings Limited</i> will benefit in the future, as land and buildings are used to earn income for the company, and the bringing of cash into <i>Hallenstein Glasson Holdings Limited</i></li> <li>• probability of future economic benefit, as land and buildings are used to sell the inventory, bringing money into <i>Hallenstein Glasson Holdings Limited</i></li> <li>• reliable measure using third-party independent experts is free from bias/ faithfully represents the fair value of the land and buildings</li> <li>• describes ONE of an asset characteristics or recognition criteria, from a bank manager’s point of view in terms of security over the loan</li> <li>• describes how the reference to <i>Hallenstein Glasson Holdings Limited’s</i> cash reserves in the chairman’s statement influences a bank manager’s decision to approve a loan</li> </ul> <p><b>AND</b></p> <p>describes how the reference to the group remaining debt free in the chairman’s statement influences a bank manager’s decision to approve a loan.</p>
	<b>M6</b>	<p>Any FIVE of:</p> <ul style="list-style-type: none"> <li>• the control – idea <i>Hallenstein Glasson Holdings Limited</i> to benefit/ <i>Hallenstein Glasson Holdings Limited</i> can exclude others from benefitting from using the land and buildings</li> <li>• describes that the land and buildings have been purchased in the past by <i>Hallenstein Glasson Holdings Limited</i>, and then has been revalued to its fair value on the basis of recent market transactions on arm’s-length terms of surrounding properties</li> <li>• <i>Hallenstein Glasson Holdings Limited</i> will benefit in the future, as land and buildings are used to earn income for the company, and the bringing of cash into <i>Hallenstein Glasson Holdings Limited</i></li> <li>• probability of future economic benefit, as land and buildings are used to sell the inventory bringing money into <i>Hallenstein Glasson Holdings Limited</i></li> <li>• reliable measure using third-party independent experts is free from bias/ faithfully represents the fair value of the land and buildings</li> <li>• describes ONE of an asset characteristics or recognition criteria, from a bank manager’s point of view in terms of security over the loan</li> <li>• describes how the reference to <i>Hallenstein Glasson Holdings Limited’s</i> cash reserves in the chairman’s statement influences a bank manager’s decision to approve a loan</li> </ul> <p><b>AND</b></p> <p>describes how the reference to the group remaining debt free in the chairman’s statement influences a bank manager’s decision to approve a loan.</p>
<b>Excellence</b>	<b>E7</b>	<p>Candidate uses justifications to demonstrate: understanding of the nature of fair value as opposed to purchased; land and buildings in terms of the characteristics; and recognition criteria of an asset. Candidate uses justifications from either the Property, plant and equipment note, or the chairman’s statement to demonstrate understanding of land and buildings’ fair value from a bank manager’s point of view.</p>
	<b>E8</b>	<p>Candidate demonstrates comprehensive understanding of the nature of fair value as opposed to purchased, land and buildings in terms of the characteristics, and recognition criteria of an asset. Candidate uses justifications from BOTH the Property, plant and equipment note AND the chairman’s statement, to demonstrate comprehensive understanding of land and buildings’ fair value from a bank manager’s point of view.</p>

**Cut Scores**

	<b>Not Achieved</b>	<b>Achievement</b>	<b>Achievement with Merit</b>	<b>Achievement with Excellence</b>
<b>Score range</b>	0 – 7	8 – 13	14 – 18	19 – 24