Assessment Schedule – 2015

Accounting: Demonstrate understanding of accounting concepts for a New Zealand reporting entity (91404)

Assessment Criteria

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding involves: • applying accounting concepts to a New Zealand reporting entity so that its stakeholders are able to make decisions.	*Demonstrate in-depth understanding* involves: • explaining the application of accounting concepts to a New Zealand reporting entity so that its stakeholders are able to make decisions.	*Demonstrate comprehensive understanding* involves: • justifying the application of accounting concepts to a New Zealand reporting entity so that its stakeholders are able to make decisions.

Evidence

Question	Sample evidence
ONE (a)	The accounting policies provide, for users of *Air New Zealand Limited*'s annual financial statements, the accounting policies adopted in the preparation of those financial statements. This allows users to understand the significance of the information contained in *Air New Zealand Limited*'s annual financial statements, e.g. how the financial elements have been measured. *OR* This allows users to make comparisons between *Air New Zealand Limited*'s financial statements and other reporting entities, as they have an understanding of the policies adopted in the preparation of those financial statements. The notes (accounting policies) provide additional detail and disclosure of the information in *Air New Zealand Limited*'s annual financial statements required for users to make sound decisions based on these financial statements.
(b)	A current shareholder is interested in the report titled "We're supporting Brand New Zealand", as it shows that *Air New Zealand Limited* is contributing to New Zealand's "clean and green" reputation and has the potential to expand its customer base by being an environmentally friendly company, thus maintaining / increasing sales so profit is increased and dividends will continue to be paid. *OR* A current shareholder is interested in the report titled "We're supporting Brand New Zealand", as the company's initiatives to become one of the world's most environmentally sustainable airlines may lead to fewer costs in aircraft operating expenses, which may result in an increase in *Air New Zealand Limited*'s profitability, and dividends will continue to be paid.
(c)	The limitations of *Air New Zealand Limited*'s general purpose financial statements include: • some figures are based on estimates and the judgement of the accountants – for example depreciation on the aircraft fleet, and therefore, the profit of *Air New Zealand Limited* is only the best estimate / is not entirely accurate • non-cash items or non-financial information are not included – for example, the reputation of *Air New Zealand Limited* or its quality of staff / service, which can all affect future profitability of *Air New Zealand Limited*.

Not Achieved	**N0**	No response; no relevant evidence
	N1	Any ONE Achievement criterion *OR* any ONE other question parts attempted, but missing Achievement criteria because of a lack of context.
	N2	Any ONE Achievement criterion *AND* any ONE other question part attempted, but missing Achievement criteria because of a lack of context.
Achievement	**A3**	Any TWO of: • users knowing the policies / assumptions / bases that have been adopted / used in the preparation of *Air New Zealand Limited* 's annual financial statements • a valid reason describes how the report satisfies the information needs of a current shareholder • identifies an example of an estimated figure or non-cash item.
	A4	All THREE of: • users knowing the policies / assumptions / bases that have been adopted / used in the preparation of *Air New Zealand Limited* 's annual financial statements • a valid reason describes how the report satisfies the information needs of a current shareholder • identifies an example of an estimated figure or non-cash item.
Merit	**M5**	Any TWO of: • users knowing the policies / assumptions / bases that have been adopted / used in the preparation of *Air New Zealand Limited* 's annual financial statements to aid understandability or comparability • a valid reason describes how the report satisfies the information needs of a current shareholder, linked to *Air New Zealand Limited* 's profitability • describes the identified example as being an estimated figure or non-cash item.
	M6	All THREE of: • users knowing the policies / assumptions / bases that have been adopted / used in the preparation of *Air New Zealand Limited* 's annual financial statements to aid understandability or comparability • a valid reason describes how the report satisfies the information needs of a current shareholder, linked to *Air New Zealand Limited* 's profitability • describes the identified example as being an estimated figure or non-cash item.
Excellence	**E7**	Any TWO of: • users knowing the policies / assumptions / bases that have been adopted / used in the preparation of *Air New Zealand Limited* 's annual financial statements to aid understandability or comparability and adds that accompanying notes provide additional detail and disclosures for users to make sound decisions based on *Air New Zealand Limited's* annual financial statements. • the "information needs of a current shareholder" is linked to *Air New Zealand Limited*'s profitability and its ability to pay future dividends • explains the limitation of the identified example of an estimated figure, linked to the profit of *Air New Zealand Limited* not being entirely accurate OR explains the limitation of the identified example of a non-cash item, linked to the future profitability of *Air New Zealand Limited*.
	E8	All THREE of: • users knowing the policies / assumptions / bases that have been adopted / used in the preparation of *Air New Zealand Limited* 's annual financial statements to aid understandability or comparability and adds that accompanying notes provide additional detail and disclosures for users to make sound decisions based on *Air New Zealand Limited's* annual financial statements. • the "information needs of a current shareholder" is linked to *Air New Zealand Limited*'s profitability and its ability to pay future dividends. • explains the limitation of the identified example of an estimated figure, linked to the profit of *Air New Zealand Limited* not being entirely accurate OR explains the limitation of the identified example of a non-cash item, linked to the future profitability of *Air New Zealand Limited*.

Question	Evidence
TWO (a)	The purchase of the Boeing 787-9 Dreamliner aircraft is capital expenditure, because the purchase of this new aircraft is a one-off purchase that will provide economic benefit for *Air New Zealand Limited* beyond the current accounting period. The total cost of purchasing the new Boeing 787-9 Dreamliner is capital expenditure, as this includes all of the costs incurred to get the aircraft into a position and condition to use for airline services. The Boeing 787-9 Dreamliner aircraft will provide future economic benefit, as it is used to provide air transportation for customers – thereby earning passenger revenue for *Air New Zealand Limited*, which is the future income generated from the asset. This brings cash into *Air New Zealand Limited*, which is the ultimate economic benefit.
(b)	Depreciation on the existing fleet is a depletion / decrease in assets (aircraft) that results in a decrease in equity, because there is less profit / this is not a distribution to the shareholders. Depreciation on the existing fleet is a decrease in economic benefit because as the aircraft are being used, they lose the ability to generate as much economic benefit in the future for *Air New Zealand Limited*. Therefore, the existing fleet will have less future economic benefit on balance day than it had at the beginning of the accounting period.
(c)	The cost constraint on useful financial reporting is that the benefits of producing annual financial statements that have been prepared in accordance with NZ GAAP, and have full compliance with NZ IFRS, would outweigh the costs incurred by *Air New Zealand Limited.* This is because *Air New Zealand Limited* is an issuer / has public accountability and has many users interested in their annual financial statements, and as the shareholders / creditors / lenders are separate from the governing body (directors), they do not have easy access to information about *Air New Zealand Limited.*
(d)	Information has faithful representation when it can be depended on by users to faithfully represent that which it is expected to represent. To have faithful representation, the information must be complete, neutral, and free from error. As *Air New Zealand Limited* has obtained an independent valuation of their investment in *Virgin Australia Holdings Limited*, the fundamental qualitative characteristic of faithful representation is still satisfied. This is because the downwards revaluation of $18 million to their current value of $422 million was conducted by an independent valuer, who is neutral and free from material error and bias when completing the valuation. However, the value of *Air New Zealand Limited*'s investment in *Virgin Australia Holdings Limited* cannot be determined until this investment is sold.

Not Achieved	**N0**	No response; no relevant evidence
	N1	Any ONE Achievement criterion *OR* any TWO other question parts attempted, but missing Achievement criteria because of a lack of context.
	N2	Any ONE Achievement criterion *AND* any TWO other question parts attempted, but missing Achievement criteria because of a lack of context.
Achievement	**A3**	Any THREE of: • describes capital expenditure as a one-off purchase / buying an asset / *Air New Zealand Limited* will have for more than one year • describes that the future economic benefit is the income that Air New Zealand Limited will receive from the Boeing 787-9 Dreamliner aircraft • an expense results in a decrease in assets (aircraft), a decrease in equity, and is not a distribution to shareholders • describes that the benefit of preparing financial reports outweighs the cost • describes how faithful representation is satisfied by using an independent valuer to revalue *Air New Zealand Limited* 's investment in *Virgin Australia Holdings Limited*
	A4	Any FOUR of: • describes capital expenditure as a one-off purchase / buying an asset / *Air New Zealand Limited* will have for more than one year • describes that the future economic benefit is the income that Air New Zealand Limited will receive from the Boeing 787-9 Dreamliner aircraft • an expense results in a decrease in assets (aircraft), a decrease in equity, and is not a distribution to shareholders • describes that the benefit of preparing financial reports outweighs the cost • describes how faithful representation is satisfied by using an independent valuer to revalue *Air New Zealand Limited* 's investment in *Virgin Australia Holdings Limited*
Merit	**M5**	Any THREE of: • describes that the Boeing 787-9 Dreamliner aircraft will provide economic benefit for *Air New Zealand Limited* beyond the current accounting period • describes how the Boeing 787-9 Dreamliner aircraft is used to earn income for *Air New Zealand Limited* • describes that depreciation on the existing fleet results in a decrease in assets (aircraft), a decrease in equity by less profit, and is not a distribution to shareholders • describes that the benefit exceeds the cost of preparing annual financial statements prepared in accordance with NZ GAAP / annual financial statements with full compliance to NZ IFRS • explains how faithful representation is satisfied by using an independent valuer to revalue *Air New Zealand Limited* 's investment in *Virgin Australia Holdings Limited*
	M6	Any FOUR of: • describes that the Boeing 787-9 Dreamliner aircraft will provide economic benefit for *Air New Zealand Limited* beyond the current accounting period • describes how the Boeing 787-9 Dreamliner aircraft is used to earn income for *Air New Zealand Limited* • describes that depreciation on the existing fleet results in a decrease in assets (aircraft), a decrease in equity by less profit, and is not a distribution to shareholders • describes that the benefit exceeds the cost of preparing annual financial statements prepared in accordance with NZ GAAP / annual financial statements with full compliance to NZ IFRS • explains how faithful representation is satisfied by using an independent valuer to revalue *Air New Zealand Limited* 's investment in *Virgin Australia Holdings Limited*

<table>
<tr>
<td rowspan="2">Excellence</td>
<td>E7</td>
<td>Any THREE of:

explains that the total cost of purchasing the Boeing 787-9 Dreamliner aircraft includes the costs incurred to get the aircraft into a position and condition to use for airline services which will provide economic benefit for Air New Zealand Limited beyond the current accounting period
describes how the Boeing 787-9 Dreamliner aircraft is used to earn income and explains that ultimately the future economic benefit is cash received for Air New Zealand Limited.
describes why depreciation on the existing aircraft fleet is an expense, and explains the decrease in economic benefit as the aircraft, once used, will provide less future economic benefit
the benefit exceeds the cost of preparing annual financial statements prepared in accordance with NZ GAAP / annual financial statements with full compliance to NZ IFRS, linked to Air New Zealand Limited being an issuer / public accountability and having many users
explains how faithful representation is satisfied by using an independent valuer, and identifies that Air New Zealand Limited’s investment in Virgin Australia Holdings Limited cannot be determined until this investment is sold OR $422 million is now the current value of these shares.

</td>
</tr>
<tr>
<td>E8</td>
<td>Any FOUR of:

explains that the total cost of purchasing the Boeing 787-9 Dreamliner aircraft includes the costs incurred to get the aircraft into a position and condition to use for airline services which will provide economic benefit for Air New Zealand Limited beyond the current accounting period
describes how the Boeing 787-9 Dreamliner aircraft is used to earn income and explains that ultimately the future economic benefit is cash received for Air New Zealand Limited.
describes why depreciation on the existing aircraft fleet is an expense, and explains the decrease in economic benefit as the aircraft, once used, will provide less future economic benefit
the benefit exceeds the cost of preparing annual financial statements prepared in accordance with NZ GAAP / annual financial statements with full compliance to NZ IFRS, linked to Air New Zealand Limited being an issuer / public accountability and having many users
describes how faithful representation is satisfied by using an independent valuer, and explains that Air New Zealand Limited ’s investment in Virgin Australia Holdings Limited cannot be determined until this investment is sold OR $422 million is now the current value of these shares.

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</table>

Question	Evidence
THREE	A liability is a present obligation of *Air New Zealand Limited* arising from past events, the settlement of which is expected to result in an outflow from *Air New Zealand Limited* of resources embodying economic benefits. The loyalty programme is a liability, as *Air New Zealand Limited* must honour the amount owing for the Airpoints Dollars to its customers because it has a contractual obligation to do so when customers sign up to the company's Airpoints reward programme, until such time as the Airpoints member has redeemed his or her points. The past event which incurred the loyalty programme as a liability is when customers of *Air New Zealand Limited,* who are Airpoints members, fly with the company and as part of the initial sales transaction (buying the passenger ticket) earn Airpoints Dollars for being members of the reward programme. The loyalty programme, Airpoints Dollars, results in an outflow from *Air New Zealand Limited* of resources embodying economic benefits, as when members redeem their Airpoints Dollars to buy airline tickets, *Air New Zealand Limited* receives less actual cash from passenger revenue, as members are using their Airpoints Dollars to cover the payment of their airline ticket. *OR* The loyalty programme Airpoints Dollars results in an outflow from *Air New Zealand Limited* of resources embodying economic benefits, as *Air New Zealand Limited* will have to pay expenses related to the flights passengers buy in the future with their Airpoints Dollars decreasing *Air New Zealand Limited's* bank account, hence future outflow of economic benefit of cash. As the loyalty programme meets the definition of a liability, *Air New Zealand Limited* has recognised this in the Statement of Financial Position, as it is probable that any future economic benefit associated with the item will flow from the company, and the item has a cost or value that can be measured with reliability. It is probable that there will be an outflow of future economic benefit, as members will try to ensure that they use their Airpoint Dollars to book future airline tickets before the date of expiry, resulting in *Air New Zealand Limited* receiving less actual cash from passenger revenue. The cost of the loyalty programme valued at $101 million as a current liability and $143 million as a non-current liability can be measured with reliability, as the estimate of expiry of the Airpoints Dollars is based on historical experience by the accountants of *Air New Zealand Limited*. This means that the amount reported in the Statement of Financial Position is free from bias / faithfully represents the value of these liabilities. The underlying assumption of the going concern means that *Air New Zealand Limited* will continue to operate into the foreseeable future, as there is no intention to liquidate the company or management have not identified any circumstances to curtail materially the scale of its operations. As a result, *Air New Zealand Limited* will continue providing airline services to its customers. This means that liabilities are measured and classified as current and non-current liabilities because it is assumed that *Air New Zealand Limited* will continue its airline operations beyond the current accounting period. The $101 million of the Airpoints loyalty programme is a current liability because customers can redeem these Airpoints Dollars within the next year / 12 months from balance day *OR* *Air New Zealand Limited* does not have unconditional right to defer settlement of this portion of the Airpoints loyalty programme for at least 12 months after balance day. The $143 million of the Airpoints loyalty programme is a non-current liability, as it is not expected that customers will redeem these Airpoints Dollars within the next year.

Not Achieved	**N0**	No response; no relevant evidence
	N1	Any ONE of: • going concern concept described, with no context • characteristics of a liability, with no context • recognition of a liability, with no context
	N2	Any TWO of: • going concern concept described, with no context • characteristics of a liability, with no context • recognition of a liability, with no context
Achievement	**A3**	Any FOUR of: • states that *Air New Zealand Limited* has a present obligation to honour the amount owing for the loyalty programme • states that the past event was when *Air New Zealand Limited*'s Airpoints members earned the Airpoints Dollars • identifies that there is an outflow of economic benefit from *Air New Zealand Limited* when members redeem their Airpoints Dollars • there is a probable outflow of economic benefit from *Air New Zealand Limited*, as members will try to ensure that they use the Airpoints Dollars before the date of expiry • reliable measure of the loyalty programme based on historical experience by the accountants of *Air New Zealand Limited* • describes a reason why *Air New Zealand Limited* is a going concern, e.g. no intention of liquidation • describes why the $101 million of the loyalty programme is reported as a current liability *OR* describes why the $143 million of the loyalty programme is reported as a non-current liability.
	A4	Any FIVE of: • states that *Air New Zealand Limited* has a present obligation to honour the amount owing for the loyalty programme • states that the past event was when *Air New Zealand Limited*'s Airpoints members earned the Airpoints Dollars • identifies that there is an outflow of economic benefit from *Air New Zealand Limited* when members redeem their Airpoints Dollars • there is a probable outflow of economic benefit from *Air New Zealand Limited*, as members will try to ensure that they use the Airpoints Dollars before the date of expiry • reliable measure of the loyalty programme based on historical experience by the accountants of *Air New Zealand Limited* • describes a reason why *Air New Zealand Limited* is a going concern, e.g. no intention of liquidation • describes why the $101 million of the loyalty programme is reported as a current liability *OR* describes why the $143 million of the loyalty programme is reported as a non-current liability.

<table>
<tr><td rowspan="2">Merit</td><td>M5</td><td>Any FOUR of:
describes Air New Zealand Limited has a contractual obligation to honour the loyalty programme until such time the Airpoints Dollars are redeemed
describes the past event (e.g. buying a passenger ticket) earning Airpoints Dollars for members of Air New Zealand Limited's loyalty programme
describes the outflow of economic benefit occurs when members redeem their Airpoints Dollars, which results in less actual cash from passenger revenue into Air New Zealand Limited
describes the probability of an outflow of economic benefit, as members are more than likely to use the Airpoints Dollars before the date of expiry, resulting in less actual cash from passenger revenue into Air New Zealand Limited OR the cash Air New Zealand Limited has to pay for expenses when providing flights for customers who use Airpoints for this service.
describes the reliable measure based on historical experience is free from bias / faithfully represents the fair value of the loyalty programme liability
links the description why Air New Zealand Limited is a going concern to the classification of liabilities as current and non-current
describes why the $101 million of the loyalty programme is reported as a current liability
AND
describes why the $143 million of the loyalty programme is reported as a non-current liability.</td></tr>
<tr><td>M6</td><td>Any FIVE of:
describes Air New Zealand Limited has a contractual obligation to honour the loyalty programme until such time the Airpoints Dollars are redeemed
describes the past event (e.g. buying a passenger ticket) earning Airpoints Dollars for members of Air New Zealand Limited's loyalty programme
describes the outflow of economic benefit occurs when members redeem their Airpoints Dollars, which results in less actual cash from passenger revenue into Air New Zealand Limited
describes the probability of an outflow of economic benefit, as members are more than likely to use the Airpoints Dollars before the date of expiry, resulting in less actual cash from passenger revenue into Air New Zealand Limited OR the cash Air New Zealand Limited has to pay for expenses when providing flights for customers who use Airpoints for this service.
describes the reliable measure based upon historical experience is free from bias / faithfully represents the fair value of the loyalty programme liability
links the description why Air New Zealand Limited is a going concern to the classification of liabilities as current and non-current
describes why the $101 million of the loyalty programme is reported as a current liability
AND
describes why the $143 million of the loyalty programme is reported as a non-current liability.</td></tr>
<tr><td rowspan="2">Excellence</td><td>E7</td><td>Candidate uses justifications to demonstrate understanding of the nature of Air New Zealand Limited's Airpoints loyalty programme in terms of the characteristics and recognition criteria of a liability. Candidate uses justifications from EITHER the application of the going concern assumption, OR the distinction between a current and a non-current liability to demonstrate understanding of the reporting of Air New Zealand Limited's Airpoints loyalty programme.</td></tr>
<tr><td>E8</td><td>Candidate demonstrates comprehensive understanding of the nature of Air New Zealand Limited's Airpoints loyalty programme in terms of the characteristics and recognition criteria of a liability. Candidate uses justifications from BOTH the application of the going concern assumption AND the distinction between a current and a non-current liability to demonstrate understanding of the reporting of Air New Zealand Limited's Airpoints loyalty programme.</td></tr>
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Cut Scores

Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
0 – 7	8 – 13	14 – 19	20 – 24