

**Assessment Schedule – 2016****Accounting: Demonstrate understanding of accounting concepts for a New Zealand reporting entity (91404)****Assessment Criteria**

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

**Evidence**

<b>Question</b>	<b>Evidence</b>
<b>ONE</b> (a)	<i>Michael Hill International Limited</i> is a New Zealand reporting entity because the company is an issuer. This means that <i>Michael Hill International Limited</i> is listed on the New Zealand Stock Exchange by issuing equity (shares) in return for cash from the public. Therefore, as <i>Michael Hill International Limited</i> is an issuer, the company has public accountability.
(b)	The purpose of including details of sponsorship programmes is to aid understanding of what <i>Michael Hill International Limited</i> does / to show the human face of the company and what it does is real, as opposed to just a whole lot of numbers interested users may not understand / enhances <i>Michael Hill International Limited's</i> image as a member of the community / to show a current shareholder that the company is performing well and there is no reason to sell their shares / to encourage a potential investor to buy shares in <i>Michael Hill International Limited</i> . Outlining details of the Pink Hope Collection helps personalise what otherwise might be seen as an unknown company. Interested users may support the work of the Pink Hope Foundation charity and feel more inclined to purchase jewellery from this collection, which promotes a positive image of <i>Michael Hill International Limited</i> .
(c)	A current physical store employee is interested in the statement from the CEO because it shows that <i>Michael Hill International Limited</i> is meeting customer demands / needs by expanding its customer base through increasing its online sales. This may, however, result in less customer "foot traffic" in their physical store, and <i>Michael Hill International Limited</i> might reduce the opening hours of physical stores as more customers are shopping online, in order to improve its profitability. This results in a reduction in the company's employment benefits expense and the current remuneration received by the physical store employee.

**N0** No response; no relevant evidence

<p><b>Not Achieved</b></p>	<ul style="list-style-type: none"> <li>Any ONE Achievement criterion.</li> <li>Any ONE other question parts attempted, but missing Achievement criteria because of a lack of context.</li> </ul> <p><b>N1</b> ONE of the above <b>N2</b> BOTH of the above</p>
<p><b>Achievement</b></p>	<ul style="list-style-type: none"> <li>Identifies that <i>Michael Hill International Limited</i> is a New Zealand reporting entity because the company is an issuer OR has public accountability</li> <li>Purpose of sponsorship programmes is linked to aiding understandability OR a valid reason described for the purpose of sponsorship programmes.</li> <li>A valid reason describes how the statement satisfies the information needs of a current physical store employee.</li> </ul> <p><b>A3</b> TWO of the above <b>A4</b> ALL of the above</p>
<p><b>Merit</b></p>	<ul style="list-style-type: none"> <li>Explains that <i>Michael Hill International Limited</i> is a New Zealand reporting entity because the company is an issuer / has public accountability.</li> <li>A valid reason described for the purpose of sponsorship programmes that is linked with a user's relationship to <i>Michael Hill International Limited</i>.</li> <li>A valid reason describes how the statement satisfies the information needs of a current physical store employee, linked to their employment conditions.</li> </ul> <p><b>M5</b> TWO of the above <b>M6</b> ALL of the above</p>
<p><b>Excellence</b></p>	<ul style="list-style-type: none"> <li>Explains how <i>Michael Hill International Limited</i> is an issuer who, as a result, has public accountability.</li> <li>The details of the Pink Hope Collection sponsorship programme are linked with BOTH a user's relationship to <i>Michael Hill International Limited</i> AND to the idea of aiding comprehension.</li> <li>The "information needs of a current physical store employee" is linked to their employment conditions and <i>Michael Hill International Limited's</i> online store expansion.</li> </ul> <p><b>E7</b> TWO of the above <b>E8</b> ALL of the above</p>

Question	Evidence
<p><b>TWO</b> (a)</p>	<p>NZ GAAP refers to the specific rules, practices, and procedures relating to particular circumstances, broad concepts, and principles of general application, on which general purpose financial statements are prepared.</p> <p>By complying with NZ GAAP, <i>Michael Hill International Limited</i> complied with all the applicable financial reporting standards in the NZ IFRS – ensuring a true and fair view is presented in its financial statements.</p> <p>Financial statements of <i>Michael Hill International Limited</i> are required to comply with NZ GAAP because <i>Michael Hill International Limited</i> is a reporting entity with public accountability, and the financial statements need to be relied on by shareholders and lenders in making decisions about investing in – or lending to – <i>Michael Hill International Limited</i>.</p>
(b)	<p>The measurement base applied to the reporting of <i>Michael Hill International Limited's</i> accounts receivable is Realisable (settlement) value.</p> <p>Under this measurement base, the realisable value is the expected cash to be received from Accounts Receivable, assuming doubtful debts will be written off as bad debts / after allowing for the impairment, which is based on past experience with bad debts and the age of accounts receivable.</p>
(c)	<p>Comparability is achieved when comparisons of financial statements are made between different entities, and of the same entity, over different time periods.</p> <p>The same accounting policies, followed from year to year with the same methods used to measure the financial elements, will lead to <i>Michael Hill International Limited's</i> general purpose financial statements being prepared in a consistent way. This allows current shareholders to make comparisons between <i>Michael Hill International Limited's</i> general purpose financial statements and other New Zealand reporting entities listed on the NZX, and of <i>Michael Hill International Limited</i> over different time periods.</p>
(d)	<p>Explains the interest expense:</p> <ul style="list-style-type: none"> <li>• \$4 708 000 will be reported as the interest expense (finance costs) in the Statement of Comprehensive Income for the year because this is the amount of interest for the period (ended 30 June 2015) – as the \$161 000 of the interest expense not paid yet relates to the current accounting period / this year.</li> </ul> <p>Explains the liability:</p> <ul style="list-style-type: none"> <li>• The \$161 000 owing for the interest expense / accrued expense will be reported as a liability in the Statement of Financial Position on balance sheet day because this is the amount owed to the lenders of <i>Michael Hill International Limited</i> for borrowings this period, which represents a future outflow of economic benefit – as the interest will be paid with cash next period, which decreases the bank account of <i>Michael Hill International Limited</i>.</li> </ul>

**N0** No response; no relevant evidence

<p><b>Not Achieved</b></p>	<ul style="list-style-type: none"> <li>Any ONE Achievement criterion.</li> <li>Any ONE other question parts attempted, but missing Achievement criteria because of a lack of context.</li> </ul> <p><b>N1</b> ONE of the above <b>N2</b> BOTH of the above</p>
<p><b>Achievement</b></p>	<ul style="list-style-type: none"> <li>Reference to NZ GAAP being specific rules /practices in preparation of statements OR financial statements that comply with NZ GAAP are expected to give a true and fair view.</li> <li>Identifies the measurement base applied to the reporting of accounts receivable is realisable value.</li> <li>Comparison of financial statements can be made between different entities OR the same entity over different time periods.</li> <li>\$4 708 000 is the amount of interest expense reported in the Statement of Comprehensive Income for the current period / \$161 000 will be reported in this year's Statement of Comprehensive Income OR</li> <li>\$161 000 is a current liability reported at the end of period, or on balance day, or in the Statement of Financial Position at the end of the period.</li> </ul> <p><b>A3</b> THREE of the above <b>A4</b> ALL of the above</p>
<p><b>Merit</b></p>	<ul style="list-style-type: none"> <li>Following NZ GAAP means that <i>Michael Hill International Limited</i> has complied with all the applicable financial reporting standards in the NZ IFRS to give a true and fair view.</li> <li>Describes that the realisable value is the expected cash to be received from accounts receivable assuming that doubtful debts will be written off as bad debts.</li> <li>Following the same accounting policies will lead to <i>Michael Hill International Limited's</i> financial statements being prepared in a consistent way.</li> <li>Explains the interest expense OR explains the liability.</li> </ul> <p><b>M5</b> THREE of the above <b>M6</b> ALL of the above</p>
<p><b>Excellence</b></p>	<ul style="list-style-type: none"> <li>Compliance with NZ GAAP and the NZ IFRS is necessary because <i>Michael Hill International Limited</i> has public accountability /is relied on by shareholders to ensure a true and fair view.</li> <li>Explains that the realisable value is the expected cash to be received from accounts receivable assuming that doubtful debts will be written off as bad debts, which is based on past experience.</li> <li>Explains how comparability is achieved by linking the act of following the same accounting policies which will lead to <i>Michael Hill International Limited's</i> financial statements being prepared in a consistent way.</li> <li>Explains the interest expense AND explains the liability.</li> </ul> <p><b>E7</b> THREE of the above <b>E8</b> ALL of the above</p>

Question	Evidence
THREE	<p>A liability is a present obligation of <i>Michael Hill International Limited</i> arising from past events, the settlement of which is expected to result in an outflow from <i>Michael Hill International Limited</i> of resources embodying economic benefits.</p> <p><i>Michael Hill International Limited</i> does not have a present obligation to pay the taxation owing being disputed in the lawsuit because the court has not made a decision as to how much <i>Michael Hill International Limited</i> must pay the IRD – there is no present obligation, as <i>Michael Hill International Limited</i> has not been found guilty of its financing arrangements between New Zealand and Australian group members.</p> <p>There is no present obligation for <i>Michael Hill International Limited</i>; and as a result, there is no future outflow from <i>Michael Hill International Limited</i> of resources embodying economic benefits. There have been two past events – that <i>Michael Hill International Limited</i> carried out the tax treatment for the last six accounting periods from 2009 up until the 2014 financial year and that the company has started law proceedings in the High Court of New Zealand.</p> <p>Therefore, the lawsuit cannot be reported in the Statement of Financial Position as a liability because not all aspects of the liability definition have been satisfied. The lawsuit is shown in the notes to the financial statements as a contingent liability because of relevance.</p> <p>The qualitative characteristic of relevance is described as any financial information that is capable of making a difference in the decisions made by any user of <i>Michael Hill International Limited's</i> financial statements. The reporting of the contingent liability has a predictive role for <i>Michael Hill International Limited</i>, as the company needs to ensure they have access to finance to cover any costs associated with the pending lawsuit.</p> <p>For example, creditors/lenders/shareholders/potential shareholders would be interested because this could represent a huge outlay for <i>Michael Hill International Limited</i>, which would restrict the company's ability to pay its creditors/lenders, or distribute dividends to existing or new shareholders. Another example is that current customers of <i>Michael Hill International Limited</i> may read this note or may be informed of the taxation dispute, if it were publicised on national news, and decide not to continue buying jewellery from <i>Michael Hill International Limited</i>.</p> <p>A component of relevance is materiality. Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the information contained in <i>Michael Hill International Limited's</i> general purpose financial reports.</p> <p>This contingent liability note is material because:</p> <ul style="list-style-type: none"> <li>• the significantly large amount of cash (\$35 million) required by <i>Michael Hill International Limited</i> if the court agrees with the IRD and rules that <i>Michael Hill International Limited</i> needs to repay the tax deductions previously claimed by the Group – this may influence users' decisions on the future financial stability of the company</li> <li>• the nature of this contingent liability may influence users' decisions by questioning whether the Group's tax effects of these deductions will have any affect on future profits made by <i>Michael Hill International Limited</i>.</li> </ul>

**N0** No response; no relevant evidence

<p><b>Not Achieved</b></p>	<ul style="list-style-type: none"> <li>• Characteristics of a liability described, with no context.</li> <li>• Relevance described, with no context.</li> <li>• Materiality described, with no context.</li> </ul> <p><b>N1</b> ONE of the above  <b>N2</b> TWO of the above</p>
<p><b>Achievement</b></p>	<ul style="list-style-type: none"> <li>• Describes that <i>Michael Hill International Limited</i> has no present obligation to pay the total amount of tax deductions claimed by the Group to the IRD.</li> <li>• Describes that there is no outflow of economic benefit from <i>Michael Hill International Limited</i>.</li> <li>• Describes a past event that resulted in <i>Michael Hill International Limited</i> reporting the contingent liability.</li> <li>• Describes the qualitative characteristic of relevance in context of <i>Michael Hill International Limited</i>.</li> <li>• Describes why the contingent liability is relevant information for any one user of <i>Michael Hill International Limited's</i> financial statements.</li> <li>• Describes an explanation as to why the contingent liability is material because of its size that it is likely to influence users of <i>Michael Hill International Limited's</i> financial reports in making decisions</li> <li>• Describes an explanation as to why the contingent liability is material because of its nature that it is likely to influence users of <i>Michael Hill International Limited's</i> financial reports in making decisions.</li> </ul> <p><b>A3</b> FOUR of the above  <b>A4</b> FIVE of the above</p>
<p><b>Merit</b></p>	<ul style="list-style-type: none"> <li>• Explains that <i>Michael Hill International Limited</i> has no present obligation to pay the total amount of tax deductions claimed by the Group to the IRD and provides a reason why.</li> <li>• Explains that there is no outflow of economic benefit from <i>Michael Hill International Limited</i> and provides a reason why.</li> <li>• Explains the past events that resulted in <i>Michael Hill International Limited</i> reporting the contingent liability.</li> <li>• Explains the qualitative characteristic of relevance in context of <i>Michael Hill International Limited</i>.</li> <li>• Explains why the contingent liability is relevant information for any one user of <i>Michael Hill International Limited's</i> financial statements.</li> <li>• Explains an explanation as to why the contingent liability is material because of its size that it is likely to influence users of <i>Michael Hill International Limited's</i> financial reports in making decision</li> <li>• Explains an explanation as to why the contingent liability is material because of its nature that it is likely to influence users of <i>Michael Hill International Limited's</i> financial reports in making decisions.</li> </ul> <p><b>M5</b> FOUR of the above  <b>M6</b> FIVE of the above</p>
<p><b>Excellence</b></p>	<ul style="list-style-type: none"> <li>• Uses justifications to demonstrate understanding of the nature of <i>Michael Hill International Limited's</i> contingent liability in terms of the definition of a liability.</li> <li>• Uses justifications from: <ul style="list-style-type: none"> <li>○ the application of the relevance qualitative characteristic</li> <li>○ the application of materiality to demonstrate understanding of the reporting of <i>Michael Hill International Limited's</i> contingent liability.</li> </ul> </li> </ul> <p><b>E7</b> BOTH of the above BUT only one sub-bullet (justifications from)  <b>E8</b> ALL of the above</p>

**Cut Scores**

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