

0Assessment Schedule – 2017**Accounting: Demonstrate understanding of accounting concepts for a New Zealand reporting entity (91404)****Assessment Criteria**

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

Evidence

Question	Evidence
ONE (a)	<p>The accompanying notes provide, for shareholders of <i>The Warehouse Group Limited's</i> annual financial statements, the accounting policies adopted in the preparation of the Income Statement/ Statement of Comprehensive Income.</p> <p>This allows shareholders to understand the significance of the information contained in <i>The Warehouse Group Limited's</i> Income Statement/ Statement of Comprehensive Income, e.g. how the financial elements of income and expenses have been measured.</p> <p>OR</p> <p>This allows shareholders to make comparisons between <i>The Warehouse Group Limited's</i> Income Statement/ Statement of Comprehensive Income and other reporting entities because they have an understanding of the policies adopted in the preparation of this financial statement.</p> <p>The accompanying notes (accounting policies) provide additional detail and disclosure of the information in <i>The Warehouse Group Limited's</i> Income Statement/ Statement of Comprehensive Income required for shareholders to make sound decisions based on this financial statement.</p>
(b)	<p>The purpose of the Statement of Cash Flows is to provide information about the historical changes in cash of <i>The Warehouse Group Limited</i>.</p> <p>OR</p> <p>The purpose of the Statement of Cash Flows is to show suppliers where <i>The Warehouse Group 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>The Warehouse Group Limited</i> with a basis to assess the ability of <i>The Warehouse Group Limited</i> to generate cash and the needs of <i>The Warehouse Group 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>The Warehouse Group Limited</i>.</p>
(c)	<p>A potential investor is interested in the CEO's comment because it shows that <i>The Warehouse Group Limited's</i> 'Red Sheds' is improving its reputation, which has the potential to expand its customer base by offering better quality products at more affordable prices, thus maintaining/ increasing sales. This may convince a potential investor to purchase shares in <i>The Warehouse Group Limited</i> because an increase in sales will improve profitability and, consequently, dividends will most likely continue to be paid.</p>

N0 No response; no relevant evidence

<p>Not Achieved</p>	<ul style="list-style-type: none"> Any ONE Achievement criterion. Any ONE other question part attempted, but missing Achievement criteria because of a lack of context. <p>N1 ONE of the above N2 BOTH of the above</p>
<p>Achievement</p>	<ul style="list-style-type: none"> Enables users to know the policies / assumptions / bases that have been adopted / used in the preparation of <i>The Warehouse Group Limited's</i> Income Statement / Statement of Comprehensive Income. Refers to the Statement of Cash Flows, providing information about the changes in <i>The Warehouse Group Limited's</i> cash position for the year ended 31 July 2016. Describes a valid reason for how the statement satisfies the information needs of a potential investor. <p>A3 TWO of the above A4 ALL of the above</p>
<p>Achievement with Merit</p>	<ul style="list-style-type: none"> Enables users to know the policies / assumptions / bases that have been adopted / used in the preparation of <i>The Warehouse Group Limited's</i> Income Statement / Statement of Comprehensive Income to aid understandability or comparability. Describes a valid reason for how suppliers would use the information in <i>The Warehouse Group Limited's</i> Statement of Cash Flows. Describes a valid reason for how the statement satisfies the information needs of a potential investor, linked to purchasing shares in <i>The Warehouse Group Limited</i>. <p>M5 TWO of the above M6 ALL of the above</p>
<p>Achievement with Excellence</p>	<ul style="list-style-type: none"> Enables users to know the policies / assumptions / bases that have been adopted / used in the preparation of <i>The Warehouse Group Limited's</i> Income Statement / Statement of Comprehensive Income to aid understandability or comparability AND adds that accompanying notes provide additional detail and disclosures for users to make sound decisions based on <i>The Warehouse Group Limited's</i> Income Statement / Statement of Comprehensive Income. Links the purpose of the Statement of Cash Flows to how suppliers would use the information in <i>The Warehouse Group Limited's</i> Statement of Cash Flows for the year ended 31 July 2016. Links the information needs of a potential investor to <i>The Warehouse Group Limited's</i> profitability and its ability to pay future dividends, resulting in the potential investor purchasing shares in <i>The Warehouse Group Limited</i>. <p>E7 TWO of the above E8 ALL of the above</p>

Question	Evidence
<p>TWO (a)</p>	<p>An auditor's report is a statutory requirement because it provides an independent opinion that:</p> <ul style="list-style-type: none"> • proper accounting records have been kept by <i>The Warehouse Group Limited</i> as far as appears from the auditors' examination of those records. • the financial statements of <i>The Warehouse Group Limited</i> comply with New Zealand Generally Accepted Accounting Practice and International Financial Reporting Standards. • the financial statements give a true and fair view of the financial position of <i>The Warehouse Group Limited</i> as at 31 July 2016 and their financial performance and cash flows for the period then ended.
(b)	<p>The tenancy rents received of \$5.6 million meets the definition of an income and should be recognised if:</p> <ul style="list-style-type: none"> • it is probable that any future economic benefit associated with the tenancy rents received will flow to <i>The Warehouse Group Limited</i> as money has been received from tenants who would like to continue renting the space from <i>The Warehouse Group Limited</i> <p>AND</p> <ul style="list-style-type: none"> • The tenancy rents received of \$5.6 million has a cost or value that can be measured with reliability because there will be a constructive rental agreement / contract between tenants and <i>The Warehouse Group Limited</i> stipulating the amount of rent to be paid for the use of the rental space <i>OR</i> a receipt issued to the tenants for the cash received as rental income <i>OR</i> a bank statement showing the direct credit made by the tenants. <p>When <i>The Warehouse Group Limited</i> receives the tenancy rent, a receipt will be issued to the tenant proving that a transaction has taken place and showing that the amount of \$5.6 million is verifiable.</p>
(c)	<p>The taxation payable account of \$2.1 million is classified as a current liability because <i>The Warehouse Group 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> <p>Information has faithful representation when users can depend on it to faithfully represent that which it is expected to represent. To have faithful representation, the information must be complete, neutral, and free from error.</p> <p>The Inland Revenue Department has confirmed the calculated amount of \$2.1 million taxation payable owed at the end of the period when the amount of provisional taxation paid by <i>The Warehouse Group Limited</i> during the year was offset against the actual taxation expense once net profit has been calculated.</p> <p>This calculation was conducted by the IRD, an organisation that is independent from <i>The Warehouse Group Limited</i> and is neutral and free from material error and bias when completing the calculation; this satisfies the qualitative characteristic of faithful representation.</p>

N0 No response; no relevant evidence

<p>Not Achieved</p>	<ul style="list-style-type: none"> • Any ONE Achievement criterion. • Any ONE other question part attempted, but missing Achievement criteria because of a lack of context. <p>N1 ONE of the above N2 BOTH of the above</p>
<p>Achievement</p>	<ul style="list-style-type: none"> • Describes that an auditors' report provides an independent opinion <i>OR</i> gives a true and fair view. • Describes that there is a probable economic benefit flowing to <i>The Warehouse Group Limited</i> from the tenancy rents received. • Describes that the amount of \$5.6 million for the tenancy rents received can be measured reliably. • Describes that a current liability has to be paid within the next year/future year/next period. • Describes a component of faithful representation. <p>A3 THREE of the above A4 FOUR of the above</p>
<p>Achievement with Merit</p>	<ul style="list-style-type: none"> • Describes a valid reason for why an auditors' report is a statutory requirement. • Explains that there is a probable economic benefit flowing to <i>The Warehouse Group Limited</i> from the tenancy rents received as money has been received from tenants <i>OR</i> provides a reason why this will happen. • Explains that the amount of \$5.6 million for the tenancy rents received can be measured reliably as a transaction has taken place <i>OR</i> the cost can be verified by a source document. • Describes that <i>The Warehouse Group Limited</i> is required to give up cash in the next year/period to repay the amount owing of \$2.1 million for taxation payable. • Describes how faithful representation is satisfied by the IRD, an independent organisation calculating the \$2.1 million of taxation payable owed by <i>The Warehouse Group Limited</i>. <p>M5 THREE of the above M6 FOUR of the above</p>
<p>Achievement with Excellence</p>	<ul style="list-style-type: none"> • Explains a valid reason for why an auditors' report is a statutory requirement that includes how an auditors' report provides an independent opinion. • Explains that there is a probable economic benefit flowing to <i>The Warehouse Group Limited</i> from the tenancy rents received as money has been received from tenants <i>AND</i> provides a reason why this will happen. • Explains that the amount of \$5.6 million for the tenancy rents received can be measured reliably as a transaction has taken place <i>AND</i> the cost can be verified by a source document. • Explains that <i>The Warehouse Group Limited</i> is required to give up cash in the next year/period to repay the amount owing of \$2.1 million for taxation payable. • Explains how faithful representation is satisfied by the IRD, an independent organisation, calculating the \$2.1 million of taxation payable owed by <i>The Warehouse Group Limited</i>. <p>E7 THREE of the above E8 FOUR of the above</p>

Question	Evidence
<p>THREE</p>	<p><i>The Warehouse Group Limited's</i> computer software and subsequent updates/enhancements are recorded as the amount of cash or cash equivalents paid, or the fair value of the consideration given, to acquire the computer software at the time of their acquisition. This amount of cash or cash equivalents includes the expenditure that is directly attributable to the acquisition of the computer software, for example costs incurred in getting the computer software operational and ready for use. This type of expenditure is capitalised because it satisfies the characteristic of an asset/the asset cannot/is not in a position to be used if this capital expenditure is not first incurred.</p> <p>Every new item of computer software and subsequent updates/enhancements is purchased in the past. A series of past events includes labour, materials, and all other installation costs that have been incurred to get the items of computer software into a location and condition ready to be used by <i>The Warehouse Group Limited</i> to earn income.</p> <p>Only <i>The Warehouse Group Limited</i> can benefit from the computer software once the software has been successfully installed; this excludes others from using the computer software to earn income.</p> <p>The cost of getting the computer software into the location and condition ready to use are capitalised because the software provides <i>The Warehouse Group Limited</i> with economic benefit beyond the current year because items of computer software are retained in the company for many accounting periods. For example, the new initiatives of “The Meeting Room” and “myNoelLeeming” have repositioned the product and service experience to meet changing customer needs and completion enabled by digital technology. These initiatives are used to earn income for <i>The Warehouse Group Limited</i>, which ultimately brings cash into <i>The Warehouse Group Limited</i>.</p> <p>Computer software maintenance expenditure is revenue expenditure because it is day-to-day/recurring /on-going expenditure that will benefit <i>The Warehouse Group Limited</i> for only the current accounting period in which it is incurred.</p> <p>This expenditure satisfies the characteristics of an expense because it represents a decrease/an outflow of economic benefit in the form of a decrease in bank asset or increase in accounts payable liability, which ultimately means that <i>The Warehouse Group Limited</i> has to pay the company for the computer software maintenance.</p> <p>The computer software maintenance decreases <i>The Warehouse Group Limited's</i> profit, which decreases equity and is not the result of distributions to the shareholders.</p> <p>OR</p> <p>Amortisation or other impairment adjustments are also revenue expenditure, satisfying the expense characteristics, because this expenditure is a depletion/decrease in the computer software assets that result in a decrease in equity, because there is less profit and is not the results of distributions to the shareholders.</p> <p>Amortisation or other impairment adjustments are a decrease in economic benefit because as the items of computer software are being used, they lose the ability to generate as much economic benefit in the future for <i>The Warehouse Group Limited</i>/will have less future economic benefit on balance day than they had at the beginning of the accounting period.</p>

N0 No response; no relevant evidence

<p>Not Achieved</p>	<ul style="list-style-type: none"> • Describes historical cost but without context. • Describes capital expenditure but without context. • Describes revenue expenditure but without context. <p>N1 ONE of the above N2 TWO or THREE of the above</p>
<p>Achievement</p>	<ul style="list-style-type: none"> • Describes historical cost as the computer software being recorded at its original purchase price. • States that the computer software and /or subsequent updates /enhancements are purchased in the past by <i>The Warehouse Group Limited</i>. • Describes that only <i>The Warehouse Group Limited</i> can use the computer software. • Describes how <i>The Warehouse Group Limited</i> will benefit in the future because the computer software is installed to earn income for the company. • An expense in context will decrease economic benefits / assets or increase liabilities and decrease equity and is not distribution to shareholders. • Describes capital expenditure as one-off payments, expenditure that provides benefits for more than one year. • Describes revenue expenditure as regular payments, expenditure that provides benefits for the current year only. <p>A3 FOUR of the above A4 FIVE of the above</p>
<p>Achievement with Merit</p>	<ul style="list-style-type: none"> • Describes historical cost as the computer software being recorded at their original purchase price, which includes the cost incurred in getting the computer software into location and condition to use. • Describes that the computer software and /or subsequent updates /enhancements are a series of past transactions paying for installation costs, resulting in the asset being ready to use. • Explains the control – the idea that only <i>The Warehouse Group Limited</i> to benefit/ <i>The Warehouse Group Limited</i> can exclude others from benefiting. • Explains how <i>The Warehouse Group Limited</i> will benefit in the future because the computer software was acquired to earn income for the company and the bringing of cash into <i>The Warehouse Group Limited</i>. • Explains that an expense in context will decrease economic benefits / assets or increase liabilities and links expenses to decreasing equity by less profit, not a distribution to shareholders. • Explains the decrease in economic benefit for an expense. • Describes capital expenditure linked to the computer software being ready to use in <i>The Warehouse Group Limited</i> (for many accounting periods). • Describes revenue expenditure linked to an example of an expense from the computer software note being incurred in the current accounting period by <i>The Warehouse Group Limited</i>. <p>M5 FOUR of the above M6 FIVE of the above</p>
<p>Achievement with Excellence</p>	<ul style="list-style-type: none"> • Uses justifications to demonstrate understanding of <i>The Warehouse Group Limited's</i> computer software in terms of the application of the historical cost concept • Uses justifications from: <ul style="list-style-type: none"> ○ the application of capital expenditure in terms of the characteristics of an asset linked to one of the new initiatives of “The Meeting Room” or “MyNoelLeeming” ○ the application of revenue expenditure using an example from the computer software note, in terms of the characteristics of an expense. <p>E7 BOTH of the above BUT only one sub-bullet (justifications from) E8 ALL of the above</p>

Cut Scores

Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
0–7	8–13	14–18	19–24