

**Assessment Schedule – 2020****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>Q</b>	<b>Evidence</b>	<b>Achievement</b>	<b>Achievement with Merit</b>	<b>Achievement with Excellence</b>
<b>ONE</b> (a)	<i>The a2 Milk Company Limited</i> is a New Zealand reporting entity because the company is an issuer. This means that <i>The a2 Milk Company Limited</i> is listed on the New Zealand Stock Exchange (NZX) by issuing equity (shares) in return for cash from the public. Therefore, as <i>The a2 Milk Company Limited</i> is an issuer, the company has public accountability.	Describes that <i>The a2 Milk Company Limited</i> is an issuer OR has public accountability.	Explains that <i>The a2 Milk Company Limited</i> is an issuer OR has public accountability.	Explains how <i>The a2 Milk Company Limited</i> is an issuer that, as a result, has public accountability.
(b)	Generally Accepted Accounting Practice in New Zealand (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. By complying with NZ GAAP, <i>The a2 Milk Company 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. <i>The a2 Milk Company Limited's</i> financial statements are required to comply with NZ GAAP, because <i>The a2 Milk Company 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>The a2 Milk Company Limited</i> .	Describes NZ GAAP as being specific rules / practices in the presentation of financial statements OR financial statements that comply with NZ GAAP are expected to give a true and fair view.	Describes that by following NZ GAAP <i>The a2 Milk Company Limited</i> has complied with all the applicable financial reporting standards in the NZ IFRS to give a true and fair view.	Compliance with NZ GAAP and the NZ IFRS is necessary due to <i>The a2 Milk Company Limited</i> having public accountability / being relied on by shareholders or lenders to give a true and fair view.

(c)	<p>Relevant financial information is capable of making a difference in the decisions made by users.</p> <p>The fair value of <i>The a2 Milk Company Limited's</i> listed investments is a relevant measure, as it is timely and provides much better predictive value of the future economic benefits of these assets.</p> <p>This may lead to decisions about the holding or selling of <i>The a2 Milk Company Limited's</i> listed investments.</p>	<p>Describes that information capable of influencing decisions is relevant information.</p>	<p>Describes the fair value of <i>The a2 Milk Company Limited's</i> listed investments is timely / provides predictive value of the future economic benefit of these assets.</p>	<p>Explains the fair value of <i>The a2 Milk Company Limited's</i> listed investments is linked to the future economic benefit of these assets, which may lead to decisions about holding or selling the listed investments.</p>
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N1	N2	A3	A4	M5	M6	E7	E8
<p>ONE question part attempted, but missing Achievement criteria because of a lack of context.</p>	<p>ONE (of three) Achievement opportunities and ONE other question part attempted.</p>	<p>TWO (of three) Achievement opportunities.</p>	<p>THREE (of three) Achievement opportunities.</p>	<p>TWO (of three) Merit opportunities.</p>	<p>THREE (of three) Merit opportunities.</p>	<p>TWO (of three) Excellence opportunities.</p>	<p>THREE (of three) Excellence opportunities.</p>

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

Q	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
TWO (a)	<p>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 exceed / outweigh the costs incurred by <i>The a2 Milk Company Limited</i>. This is because <i>The a2 Milk Company Limited</i> is an issuer / has public accountability and has many users interested in its annual financial statements, and as the shareholders / lenders are separate from the governing body (directors), they do not have easy access to information about <i>The a2 Milk Company Limited</i>.</p>	Describes that the benefit of preparing financial reports exceeds the cost.	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 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 <i>The a2 Milk Company Limited</i> being an issuer / public accountability and having many users.
(b)	<p>The audit fees of \$701 000 are revenue expenditure because they are paid annually by <i>The a2 Milk Company Limited</i> to <i>Ernst &amp; Young</i> for auditor's services provided.</p> <p>The audit fees of \$701 000 are of a recurring nature as they are paid every year to <i>Ernst &amp; Young</i> to audit the consolidated financial statements of <i>The a2 Milk Company Limited</i>. Hence the future economic benefit of the audit fees is limited to the current accounting period only and is therefore reported as an expense in <i>The a2 Milk Company Limited's</i> income statement.</p> <p>The audit fees of \$701 000 are not capital expenditure because they do not provide future economic benefit beyond the current accounting period, and so are not reported as an asset in <i>The a2 Milk Company Limited's</i> statement of financial position.</p>	Describes that the audit fees are paid annually / have a recurring nature.	Describes the future economic benefit of the audit fees is limited to the current accounting period and therefore reported as an expense.	Explains there is no future economic benefit beyond the current accounting period, so is not capital expenditure and is not reported as an asset.

(c)	<p>Write-down of inventories of \$1 550 000 is a depletion / decrease in assets (inventory) that results in a decrease in equity of <i>The a2 Milk Company Limited</i>, because there is less profit, and this is not a distribution to <i>The a2 Milk Company Limited's</i> shareholders.</p> <p>Write-down of inventories of \$1 550 000 is a decrease in economic benefit because these inventories lose the ability to generate as much economics benefit in the future for <i>The a2 Milk Company Limited</i> when sold, as the net realisable value is below cost. Therefore, the inventories that have been written down will have less future economic benefit on balance day for <i>The a2 Milk Company Limited</i> than they had at the beginning of the accounting period.</p>	Describes that write-down of inventories results in a decrease in assets (inventory) and a decrease in equity, and is not a distribution to shareholders.	Describes that write-down of inventories results in a decrease in assets (inventory) and a decrease in equity by less profit, and is not a distribution to shareholders.	Describes why write-down of inventories is an expense, and explains the decrease in economic benefit for <i>The a2 Milk Company Limited</i> .
(d)	<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 \$43.7 million (rounded) taxation payable owed at the end of the period when the amount of provisional taxation paid by <i>The a2 Milk Company 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 Inland Revenue Department, an organisation that is independent from <i>The a2 Milk Company 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>	Describes a component of faithful representation in context.	Describes how faithful representation is satisfied by the IRD, an independent organisation calculating the \$43.7 million of taxation payable owed by <i>The a2 Milk Company Limited</i> .	Explains how faithful representation is satisfied by the IRD, an independent organisation calculating the \$43.7 million of taxation payable owed by <i>The a2 Milk Company Limited</i> .

N1	N2	A3	A4	M5	M6	E7	E8
ONE question part attempted, but missing Achievement criteria because of a lack of context.	ONE (of four) Achievement opportunities and ONE other question part attempted.	THREE (of four) Achievement opportunities.	FOUR (of four) Achievement opportunities.	THREE (of four) Merit opportunities.	FOUR (of four) Merit opportunities.	THREE (of four) Excellence opportunities.	FOUR (of four) Excellence opportunities.

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

Q	Sample Evidence
THREE	<p>A liability is a present obligation of <i>The a2 Milk Company Limited</i> arising from past events, the settlement of which is expected to result in an outflow from <i>The a2 Milk Company Limited</i> of resources embodying economic benefits.</p> <p>The employee entitlements are a liability, as <i>The a2 Milk Company Limited</i> must honour the amount owing to its employees due to having a contractual obligation to do so through an employment agreement, until such time as the employees have redeemed their annual leave and long-service leave.</p> <p>The past event that incurred the employee entitlements as a liability is when the employees have worked during the accounting period for <i>The a2 Milk Company Limited</i> and in doing so, accrued the benefits of wages and salaries, annual leave and long service leave.</p> <p>The employee entitlements results in an outflow from <i>The a2 Milk Company Limited</i> of resources embodying economic benefits, as the settlement of any accrued wages and salaries, annual leave and long service leave decreases <i>The a2 Milk Company Limited's</i> bank account, hence future outflow of economic benefit of cash.</p> <p>As the employee entitlements meets the definition of a liability, <i>The a2 Milk Company Limited</i> 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.</p> <p>It is probable that there will be an outflow of future economic benefit, as employees will ensure that they use their annual leave and long service leave before the date of expiry, resulting in <i>The a2 Milk Company Limited</i> paying cash to settle these entitlements.</p> <p>The cost of the employee entitlements valued at \$6 054 000 as a current liability and \$227 000 as a non-current liability can be measured with reliability, as these are based upon nominal values or present value respectively by the accountants of <i>The a2 Milk Company Limited</i>. This means that the amount reported in the Statement of Financial Position is free from bias / faithfully represents the value of these liabilities.</p> <p>The underlying assumption of the going concern means that <i>The a2 Milk Company Limited</i> 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, <i>The a2 Milk Company Limited</i> will continue providing milk products naturally containing only the A2 protein type.</p> <p>This means that liabilities are measured and classified as current and non-current liabilities because it is assumed that <i>The a2 Milk Company Limited</i> will continue its milk production beyond the current accounting period.</p> <p>The \$6 054 000 of the employee entitlements is a current liability because <i>The a2 Milk Company Limited</i> are expected to settle these entitlements within the next year / 12 months from balance day.</p> <p>OR</p> <p><i>The a2 Milk Company Limited</i> does not have unconditional right to defer settlement of this portion of the employee entitlements for at least twelve months after balance day.</p> <p>The \$227 000 of the employee entitlements is a non-current liability, as <i>The a2 Milk Company Limited</i> are not expected to settle these entitlements within the next year / 12 months from balance day.</p>

Q	Achievement	Achievement with Merit	Achievement with Excellence
<b>THREE</b>	<ul style="list-style-type: none"> <li>• Describes that <i>The a2 Milk Company Limited</i> has a present obligation to honour the amount owing for the employee entitlements.</li> <li>• Describes the past event was employee working for <i>The a2 Milk Company Limited</i> to earn the employee entitlements.</li> <li>• Describes that there is an outflow of economic benefit from <i>The a2 Milk Company Limited</i> when employees use their annual leave and long service leave.</li> <li>• Describes the probable outflow of economic benefit from <i>The a2 Milk Company Limited</i>, as employees will ensure they use their entitlements before they expire.</li> <li>• Describes the reliable measure of employee entitlements is based upon the calculations by the accountants of <i>The a2 Milk Company Limited</i>.</li> <li>• Describes a reason why <i>The a2 Milk Company Limited</i> is a going concern, e.g. no intention of liquidation.</li> <li>• Describes an explanation as to why the employee entitlements are reported as a current OR a non-current liability.</li> </ul>	<ul style="list-style-type: none"> <li>• Describes <i>The a2 Milk Company Limited</i> has a contractual obligation to honour the employment entitlements until they are redeemed.</li> <li>• Describes the past event was employee working for <i>The a2 Milk Company Limited</i> to accrue the benefits of wages and salaries, annual leave and long service leave.</li> <li>• Describes that there is an outflow of economic benefit from <i>The a2 Milk Company Limited</i> when employees use their annual leave and long service leave, resulting in an outflow of cash.</li> <li>• Describes the probable outflow of economic benefit from <i>The a2 Milk Company Limited</i>, as employees will ensure they use their entitlements before they expire, resulting in an outflow of cash.</li> <li>• Describes the reliable measure of employee entitlements is based upon the calculations by the accountants of <i>The a2 Milk Company Limited</i> that are free from bias / faithfully represent the value of these liabilities.</li> <li>• Describes a reason why <i>The a2 Milk Company Limited</i> is a going concern linked to the classification of liabilities as current and non-current.</li> <li>• Describes an explanation as to why the employee entitlements are reported as a current AND a non-current liability.</li> </ul>	<ul style="list-style-type: none"> <li>• Uses justifications to demonstrate understanding of the nature of <i>The a2 Milk Company Limited's</i> employee entitlements in terms of the characteristics and recognition criteria of a liability.</li> <li>• Uses justifications from: <ul style="list-style-type: none"> <li>- the application of the going-concern assumption to demonstrate understanding of the reporting of <i>The a2 Milk Company Limited's</i> employee entitlements</li> <li>- the distinction between a current and a non-current liability to demonstrate understanding of the reporting of <i>The a2 Milk Company Limited's</i> employee entitlements.</li> </ul> </li> </ul>

N1	N2	A3	A4	M5	M6	E7	E8
Describes, without context, ONE of: <ul style="list-style-type: none"> <li>• the characteristic of a liability</li> <li>• the recognition criteria of a liability</li> <li>• going concern.</li> </ul>	Describes, without context, TWO of:	FOUR (of seven) pieces of Achievement evidence.	FIVE (of seven) pieces of Achievement evidence.	FOUR (of seven) pieces of Merit evidence.	FIVE (of seven) pieces of Merit evidence.	BOTH pieces of Excellence evidence, with justifications from ONE of: <ul style="list-style-type: none"> <li>• the going-concern assumption</li> <li>• the distinction between a current and a non-current liability.</li> </ul>	BOTH pieces of Excellence evidence, with justifications from TWO of: <ul style="list-style-type: none"> <li>• the going-concern assumption</li> <li>• the distinction between a current and a non-current liability.</li> </ul>

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

**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