

**Assessment Schedule – 2021****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)	<p>If <i>Kathmandu Holdings Limited</i> experiences financial difficulties and cannot pay its debts, the company's shareholders are not personally liable for <i>Kathmandu Holdings Limited's</i> debts. Shareholders' personal assets are protected and cannot be sold to repay <i>Kathmandu Holdings Limited's</i> debts.</p> <p>The extent of <i>Kathmandu 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 <i>Kathmandu Holdings Limited's</i> directors can include if the directors have given a personal guarantee for a company debt, or if the directors act negligently – for example, making a distribution to the shareholders when the company fails the solvency test.</p>	Reference to <i>Kathmandu Holdings Limited's</i> shareholders being not personally liable <i>OR</i> <i>Kathmandu Holdings Limited's</i> shareholders' personal assets being protected.	Limited liability described, linked with a reasonable example showing how limited liability applies to <i>Kathmandu Holdings Limited's</i> shareholders.	Limited liability is explained and one circumstance included in which limited liability may not protect a director (who is also a shareholder) of <i>Kathmandu Holdings Limited</i> .
(b)	A potential investor is interested in the Chairman and CEO's comment because it shows that <i>Kathmandu Holdings Limited</i> has the potential to expand its customer base by selling iconic global surf and action sports merchandise from <i>Rip Curl</i> , a well-established surfing company, thus maintaining/increasing sales for The Group. This may convince a potential investor to purchase shares in <i>Kathmandu Holdings Limited</i> because an increase in sales will improve profitability and, consequently, dividends will most likely continue to be paid.	Describes a valid reason for how the comment satisfies the information needs of a potential investor.	Describes a valid reason for how the comment satisfies the information needs of a potential investor, linked to purchasing shares in <i>Kathmandu Holdings Limited</i> .	Links the information needs of a potential investor to <i>Kathmandu Holdings Limited's</i> profitability and its ability to pay future dividends, resulting in the potential investor purchasing shares in <i>Kathmandu Holdings Limited</i> .

(c)	<p>The limitations of <i>Kathmandu Holdings Limited's</i> general-purpose financial statements include:</p> <ul style="list-style-type: none"> <li>• Some figures are based on estimates and the judgement of the accountants – for example, depreciation on property, plant, and equipment. Therefore, the profit of <i>Kathmandu Holdings Limited</i> is only the best estimate / is not entirely accurate.</li> <li>• Non-cash items or non-financial information are not included – for example, the reputation of <i>Kathmandu Holdings Limited</i> or its quality of staff / service, which can all have an impact on the future profitability of <i>Kathmandu Holdings Limited</i>.</li> </ul>	Identifies an example of an estimated figure or non-cash item.	Describes the identified example as being an estimated figure or a non-cash item.	<p>Explains the limitation of the identified example of an estimated figure, linked to the profit of <i>Kathmandu Holdings Limited</i> not being entirely accurate.</p> <p>OR</p> <p>Explains the limitation of the identified example of a non-cash item, linked to the future profitability of <i>Kathmandu Holdings Limited</i>.</p>
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N1	N2	A3	A4	M5	M6	E7	E8
ONE question part attempted, but missing Achievement criteria because of a lack of context.	ONE (of three) Achievement opportunities and ONE other question part attempted.	TWO (of three) Achievement opportunities.	THREE (of three) Achievement opportunities.	TWO (of three) Merit opportunities.	THREE (of three) Merit opportunities.	TWO (of three) Excellence opportunities.	THREE (of three) Excellence opportunities.

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

Q	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
<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.</p> <p>Comparative figures being restated accordingly where a change has been made due to the acquisition of <i>Rip Curl Group Pty Limited</i> will lead to <i>Kathmandu Holdings Limited's</i> general-purpose financial statements being prepared in a consistent way.</p> <p>This allows interested users to make comparisons between <i>Kathmandu Holdings Limited's</i> general-purpose financial statements and other New Zealand reporting entities listed on the NZX, and of <i>Kathmandu Holdings Limited</i> over different time periods.</p>	<p>Describes that comparison of financial statements can be made between different entities OR the same entity over different time periods.</p>	<p>Explains that comparative figures being restated accordingly where a change has been made due to the acquisition of <i>Rip Curl Group Pty Limited</i> will lead to <i>Kathmandu Holdings Limited's</i> general-purpose financial statements being prepared in a consistent way.</p>	<p>Explains how comparability is achieved by linking the act of comparative figures being restated accordingly where a change has been made due to the acquisition of <i>Rip Curl Group Pty Limited</i> will lead to <i>Kathmandu Holdings Limited's</i> general-purpose financial statements being prepared in a consistent way.</p>
(b)	<p>An auditor's report is a statutory requirement, because it provides an independent opinion that:</p> <ul style="list-style-type: none"> <li>• proper accounting records have been kept by <i>Kathmandu Holdings Limited</i> as far as it appears from the auditor's examination of those records</li> <li>• the financial statements of <i>Kathmandu 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>Kathmandu Holdings Limited</i> as at 31 July 2020 and its financial performance and cash flows for the period then ended.</li> </ul>	<p>Describes that an auditor's report provides an independent opinion OR gives a true and fair view.</p>	<p>Describes a valid reason for why an auditor's report is a statutory requirement.</p>	<p>Explains a valid reason for why an auditor's report is a statutory requirement that includes how an auditor's report provides an independent opinion.</p>

(c)	<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 calculation of both methods of depreciation is based on the historical cost of <i>Kathmandu Holdings Limited's</i> property, plant, and equipment. When purchasing items of property, plant, and equipment, <i>Kathmandu Holdings Limited</i> will have a source document (invoices / receipts) as evidence of the historical cost of these assets.</p> <p>These source documents have come from an independent third party (supplier of the property, plant, and equipment), which provides evidence that an arm's length market transaction has taken place; this satisfies the qualitative characteristic of faithful representation.</p> <p>OR</p> <p>These source documents can be checked by an independent third party, <i>PricewaterhouseCoopers</i>, the auditors who are neutral and free from material error and bias when checking the depreciation calculations; this satisfies the qualitative characteristic of faithful representation.</p>	Describes a component of faithful representation in context.	Describes how faithful representation is satisfied by <i>Kathmandu Holdings Limited</i> calculating depreciation based on source documents that provide evidence of the historical cost of property, plant, and equipment assets.	Explains how faithful representation is satisfied by <i>Kathmandu Holdings Limited</i> calculating depreciation based on source documents that provide evidence of the historical cost of property, plant, and equipment assets.
(d)	<p>The measurement base applied to the reporting of <i>Kathmandu Holdings Limited's</i> accounts receivable is fair value.</p> <p>Under this measurement base, the fair value of \$51 814 000 is the expected cash to be received from accounts receivable, assuming the allowance for expected credit losses will be written off as bad debts / after allowing for the impairment, which is based on <i>Kathmandu Holdings Limited's</i> historical credit loss experience and the age of accounts receivable.</p>	Identifies the measurement base applied to the reporting of accounts receivable is fair value.	Describes that the fair value of \$51 814 000 is the expected cash to be received from accounts receivable, assuming the allowance for expected credit losses (doubtful debts) will be written off as bad debts.	Explains that the fair value of \$51 814 000 is the expected cash to be received from accounts receivable, assuming the allowance for expected credit losses (doubtful debts) will be written off as bad debts, which is based on historical credit loss experience.

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><i>Kathmandu Holdings Limited's</i> software and production of identifiable and unique software products are recorded as the amount of cash or cash equivalents paid, or the fair value of the consideration given, to acquire the software at the time of their acquisition. This amount of cash or cash equivalents includes the expenditure that is directly attributable to the development of the software, for example the cost of software development employees incurred in getting the software operational and ready for use. This type of expenditure is capitalised because it satisfies the definition of an asset / the asset cannot / is not in a position to be used if this capital expenditure is not first incurred.</p> <p>The cost of getting the software into the location and condition ready to use, e.g. cost of software development employees, are capitalised because the software provides <i>Kathmandu Holdings Limited</i> with potential economic benefit beyond the current year. Items of computer software are retained in the company for many accounting periods. This production of identifiable and unique software products is used to generate revenues and profits for <i>Kathmandu Holdings Limited</i>, which ultimately brings cash into <i>Kathmandu Holdings Limited</i>.</p> <p>Only <i>Kathmandu Holdings Limited</i> can benefit from the software once the software has been successfully installed; this excludes others from using the software to earn income.</p> <p>Every new item of software and production of identifiable and unique software products 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>Kathmandu Holdings Limited</i> to earn income.</p> <p>Software maintenance expenditure is revenue expenditure because it is day-to-day / recurring / on-going expenditure that will benefit <i>Kathmandu Holdings Limited</i> for only the current accounting period in which it is incurred.</p> <p>This expenditure satisfies the definition of an expense because it decreases assets in the form of a decrease in bank or an increase in liabilities, accounts payable, which ultimately means that <i>Kathmandu Holdings Limited</i> has to pay the supplier for the software maintenance.</p> <p>The software maintenance decreases <i>Kathmandu Holdings Limited's</i> profit, which decreases equity other than those relating to distributions to holders of equity claims.</p> <p>OR</p> <p>Amortisation or other impairment adjustments are also revenue expenditure, satisfying the expense definition, because this expenditure is a decrease in the software assets that result in a decrease in <i>Kathmandu Holdings Limited's</i> profit, which decreases equity other than those relating to distributions to holders of equity claims.</p> <p>Amortisation or other impairment adjustments are a decrease in assets through an increase in amortisation costs because as the items of software are being used, they lose the potential to generate as much economic benefit in the future for <i>Kathmandu Holdings Limited</i>.</p>

Q	Achievement	Achievement with Merit	Achievement with Excellence
<b>THREE</b>	<ul style="list-style-type: none"> <li>• Describes historical cost as the software being recorded at its original purchase price.</li> <li>• Describes how <i>Kathmandu Holdings Limited</i> has potential economic benefit because the software is installed to earn income for the company.</li> <li>• Describes that only <i>Kathmandu Holdings Limited</i> can use the software.</li> <li>• Describes the production of software is developed in the past by <i>Kathmandu Holdings Limited</i>.</li> <li>• Describes an expense in context, which decreases assets or increases liabilities that results in a decrease in equity other than those relating to distributions to holders of equity claims.</li> <li>• Describes capital expenditure as one-off payments, expenditure that provides benefits for more than one year.</li> <li>• Describes revenue expenditure as regular payments, expenditure that provides benefit for the current year only.</li> </ul>	<ul style="list-style-type: none"> <li>• Describes historical cost as the software being recorded at their original purchase price, which includes the cost incurred in getting the software into location and condition to use.</li> <li>• Explains how <i>Kathmandu Holdings Limited</i> has potential economic benefit because the software is installed to earn income for the company and the bringing of cash into <i>Kathmandu Holdings Limited</i>.</li> <li>• Explains the resource controlled – the idea that only <i>Kathmandu Holdings Limited</i> to benefit / <i>Kathmandu Holdings Limited</i> can exclude others from benefitting.</li> <li>• Explains the production of software are a series of past events with <i>Kathmandu Holdings Limited</i> paying for installation costs, including the cost of software development employees, resulting in the asset being ready to use.</li> <li>• Explains an expense in context, which decreases assets or increases liabilities, and links expenses to decreasing equity by less profit other than those relating to distributions to holders of equity claims.</li> <li>• Explains the decrease in assets (bank) or the increase in liabilities (accounts payable) of <i>Kathmandu Holdings Limited</i>.</li> <li>• Explains capital expenditure linked to the software being ready to use in <i>Kathmandu Holdings Limited</i> (for many accounting periods).</li> <li>• Explains revenue expenditure linked to an example of an expense from the software note being incurred in the current accounting period by <i>Kathmandu Holdings Limited</i>.</li> </ul>	<ul style="list-style-type: none"> <li>• Uses justifications to demonstrate understanding of <i>Kathmandu Holdings Limited's</i> software in terms of the application of the historical cost concept.</li> <li>• Uses justifications from: <ul style="list-style-type: none"> <li>- the application of capital expenditure in terms of the definition of an asset linked to <i>Kathmandu Holdings Limited's</i> software</li> <li>- the application of revenue expenditure in terms of the definition of an expense linked to <i>Kathmandu Holdings Limited's</i> software.</li> </ul> </li> </ul>

<b>N1</b>	<b>N2</b>	<b>A3</b>	<b>A4</b>	<b>M5</b>	<b>M6</b>	<b>E7</b>	<b>E8</b>
Describes, without context, ONE of: <ul style="list-style-type: none"> <li>• historical cost concept</li> <li>• capital expenditure</li> <li>• revenue expenditure.</li> </ul>	Describes, without context, TWO of:	FOUR (of seven) pieces of Achievement evidence.	FIVE (of seven) pieces of Achievement evidence.	FOUR (of eight) pieces of Merit evidence.	FIVE (of eight) pieces of Merit evidence.	BOTH pieces of Excellence evidence, with justifications from ONE of: <ul style="list-style-type: none"> <li>• the historical cost concept</li> <li>• the distinction between capital and revenue expenditure linked to the asset and expense definitions.</li> </ul>	BOTH pieces of Excellence evidence, with justifications from TWO of: <ul style="list-style-type: none"> <li>• the historical cost concept</li> <li>• the distinction between capital and revenue expenditure linked to the asset and expense definitions.</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