

**Assessment Schedule – 2022****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>ONE</b> (a)	<p>Reporting entities such as <i>Port of Tauranga Limited</i> complying with NZGAAP use the same rules, practices, procedures, and broad concepts when reporting financial information such as assets, liabilities, incomes and expenses, and cash flows within their annual report / financial statement. This means measurements of financial elements are consistent across time and entities.</p> <p><b>Comparability</b> This means that Alice can compare the <i>Port of Tauranga Limited's</i> financial statements with other reporting entities' financial statements or <i>Port of Tauranga Limited</i> financial statements over time, to help her make decisions about whether to choose <i>Port of Tauranga Limited</i> shares for her investment. She will know that asset values, for example in <i>Port of Tauranga Limited's</i> Statement of Financial Position, are reported at fair value using the same underlying concepts as asset values in other companies have been reported.</p> <p><b>Understandability</b> Financial statements will also be more understandable as information will be classified to present information clearly and concisely. As a user of financial statements, it is expected that Alice has a reasonable knowledge of business and economic activities and will study the (financial) information with diligence. Information having the characteristic of understandability means Alice can use the information in the financial statements / notes / annual report to help her make her decision about investing in <i>Port of Tauranga Limited</i> shares.</p>
(b)	<p><b>Limited liability</b> Limited liability is a form of legal protection for shareholders that means Alice cannot be held personally liable for <i>Port of Tauranga Limited's</i> debts or financial losses. Alice's private assets are not at risk if <i>Port of Tauranga Limited</i> fails or is unable to pay its debts. Alice's liability is limited to any monies owing on her shares, which is unlikely to be any if she invests through her online investment account as she will be purchasing fully paid shares from other shareholders in <i>Port of Tauranga Limited</i> through the NZX. This means Alice knows, as a shareholder, she will have to pay for only her shares in <i>Port of Tauranga Limited</i>.</p>

## Judgement

Note: An explanation is not a description – it includes a reason or a why, often seen by words such as because or as, or an addition clarifying what a statement means.

For example, “NZGAAP 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” is a (possibly rote learned) statement and not an explanation. An explanation will add a reference to measuring assets, liabilities, expenses, incomes, or cash flows in a consistent manner or other reasonable additions to the statement to explain it / its purpose.

Each paragraph in the Evidence table on page 1 is ONE item in the judgement statement (four items in total).

<b>N1</b>	<b>N2</b>	<b>A3</b>	<b>A4</b>	<b>M5</b>	<b>M6</b>	<b>E7</b>	<b>E8</b>
ONE description with limited context.	TWO descriptions with limited context.	ONE explanation with some reference to context.	TWO explanations with some reference to context.	TWO explanations in context.	THREE explanations in context.	TWO explanations integrated into Alice's decision making / decision to purchase <i>Port of Tauranga Limited</i> shares.	THREE explanations integrated into Alice's decision making / decision to purchase <i>Port of Tauranga Limited</i> shares.

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

Q	Evidence
<b>TWO</b> (a)	<p>Two explanations</p> <p><b>Dividends</b></p> <p>Alice would be interested in the extract from the Annual Report of <i>Port of Tauranga Limited</i> because it shows that they have committed to pay out a final dividend for the year. so Alice will receive the dividend that provides her with a return on her shares. This may encourage Alice to hold on to her shares in <i>Port of Tauranga Limited</i>.</p> <p><b>COVID-19 statement</b></p> <p><i>Port of Tauranga Limited</i> has not been materially impacted by COVID-19 lockdowns, so the company should remain profitable into the future: consequently, dividends will most likely continue to be paid. Alice may decide to continue her purchase of <i>Port of Tauranga Limited</i> shares each month to continue receiving a return on her shares. Her shares may also grow in value if COVID-19 has not impacted negatively on <i>Port of Tauranga Limited</i>, further encouraging Alice to continue to hold / purchase shares in the company.</p>
(b) (i)	<p>Three explanations – each part of the solvency test plus director’s obligation.</p> <p><b>Components of the solvency test</b></p> <p>Both before and after the dividend is paid / distribution to shareholders is made:</p> <p>(1) The company is able to pay its debts as they become due in the normal course of business – meaning after paying the dividend, the company still has sufficient cash or assets needed to meet its debts to creditors / banks / external parties.</p> <p>(2) The value of the company’s assets is greater than the value of its liabilities, including contingent liabilities – meaning, after paying the dividend, the company has assets that are greater than liabilities. This includes contingent liabilities – a liability that may require payment after the outcome of a future event of which the company has knowledge may occur – such as the successful outcome of a court case against the company or a liability under a contract where the company does not meet its contractual obligations.</p> <p>(ii) <b>Directors’ obligation</b></p> <p>The directors of <i>Port of Tauranga Limited</i> must be confident that debts, including potential future debts / contingent liabilities, can be paid to external parties after they have paid the dividend to their shareholders. They must also be confident that the company has sufficient cash / cash equivalents / current assets (that can be turned into cash) to meet its external obligations before they sign the solvency test stating the company meets the test so it can pay a dividend to shareholders.</p>

### Judgement

N1	N2	A3	A4	M5	M6	E7	E8
ONE description with limited context.	TWO descriptions with limited context.	ONE explanation with some reference to context.	TWO explanations with some reference to context.	TWO explanations in context.	THREE explanations in context.	ONE explanation with context integrated from (a) plus ONE explanation with context integrated from (b).	THREE explanations with context integrated including at least ONE from (a).

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

Q	Sample Evidence
<b>THREE</b>	<p>The acquisition of <i>Timaru Container Terminal (TCT)</i> would have cost <i>Port of Tauranga Limited</i> more, or <i>Port of Tauranga Limited</i> would have been willing to pay more than the fair value of net assets of <i>TCT</i>, because of the potential for expansion. This results in goodwill – the difference between the net assets and the total paid to purchase the terminal.</p> <p>This goodwill is an intangible asset, as it does not have a physical substance / is not physical in nature but rather represents the future value that <i>Timaru Container Terminal</i> will add to <i>Port of Tauranga Limited</i>, as it can expand its operations into the South Island / expand its port facilities in New Zealand. This allows it to earn more revenue in the future from South Island customers / offer more options for its freight customers, increasing its future revenue / profits.</p> <p>Goodwill is a present economic resource that has the potential to produce economic benefits for <i>Port of Tauranga Limited</i> in the future, in the form of new / growing numbers of customers that will generate income and profit.</p> <p><i>Port of Tauranga Limited</i> can control the future benefit because it now owns <i>Timaru Container Terminal</i> and can prevent others from using it for their shipping needs, or charge others, therefore earning income for using the terminal.</p> <p>The goodwill arose from a past transaction when <i>Port of Tauranga Limited</i> purchased <i>Timaru Container Terminal</i>.</p> <p><b>Recognition criteria:</b></p> <p>Recognition of an asset provides users with information that is useful, meaning it is:</p> <p>(a) relevant (b) faithfully represented.</p> <p><b>Explanations of recognition criteria:</b></p> <p>The goodwill is relevant information for users as it indicates that <i>Timaru Container Terminal</i> will continue to operate under <i>Port of Tauranga Limited</i> management providing an inflow of economic benefits, and the cost of the goodwill (payment of \$2.9m) reflects the likelihood that economic benefit will occur.</p> <p>Because there is a transaction purchasing <i>Timaru Container Terminal</i>, there will be a contract / document detailing the amount paid and the value of the net assets taken over so there is a reliable / representationally faithful measure of the goodwill asset of \$2.9m.</p>

### Judgement

N1	N2	A3	A4	M5	M6	E7	E8
ONE description related to the goodwill with limited context.	TWO descriptions related to the goodwill with limited context.	ONE explanation related to the goodwill with some reference to context.	TWO explanations related to the goodwill with some reference to context.	TWO explanations related to the goodwill in context.	THREE explanations related to the goodwill in context.	Accurately integrates the context into the explanations of goodwill, clearly justifying why it would be reported in the financial statements as an intangible asset.  One part may be weaker.	Accurately integrates the context into the explanations of goodwill, clearly justifying why it would be reported in the financial statements as an intangible asset.

N0 = No response; no relevant evidence.

### Cut Scores

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