

Assessment Schedule – 2023

Accounting: Demonstrate understanding of accounting concepts for an entity that operates accounting subsystems (91174)

Evidence

Question ONE	Evidence
(a) (i)	The movie ticket fees received is income for <i>Movie Matrix</i> because the fees received will increase the profit, which in turn will increase equity. The cash received from moviegoers will increase the bank asset (or decrease the overdraft liability) for <i>Movie Matrix</i> . The fees received are from moviegoers and not a contribution by Mason, the owner of <i>Movie Matrix</i> .
(ii)	<p>Information is material if omitting or misstating it could influence decision making by <i>Movie Matrix</i>. This is based on the size or nature of the information being provided.</p> <p>The 3D glasses income is \$8 000 out of a total income of \$358 000 (2.2% of total income). This is a very small proportion of the income for <i>Movie Matrix</i> and, as a result, is unlikely to influence the decision making of <i>Movie Matrix</i>. Based on this, the 3D glasses income should not be reported separately in the Income Statement for <i>Movie Matrix</i>.</p> <p>OR</p> <p>The introduction of the 3D movies has provided two additional incomes: 3D movie ticket fees and 3D glasses sales. The 3D glasses make up 14.8% of the new income (\$8 000 / \$54 000) and is material and can influence the decision on whether the introduction of the 3D movies is successful or not. As the glasses are reusable, it is likely that this percentage will fall as returning moviegoers don't need to purchase new glasses. To understand the full impact of the 3D movies on total income over time, it is material to disclose the 3D glasses sales separately in the Income Statement for <i>Movie Matrix</i> as the decrease in this would otherwise skew the interpretation of the 3D ticket fees received.</p>
(b)	<p>Relevance relates to information that helps to predict future events or confirm past evaluations to help with decision making.</p> <p>75% of customers surveyed said they would pay an extra \$4 for 3D movie tickets. This would be encouraging for <i>Movie Matrix</i> when predicting that the 3D movies would be a success and people would be prepared to pay for them.</p> <p>The monthly income summaries show that the fees received from 3D movie tickets are steadily increasing, from \$13 000 in January to \$18 000 in March. The impact on the standard movie ticket fees has been insignificant as both January and March are constant. This helps to confirm for <i>Movie Matrix</i> that the 3D movies have increased income as predicted.</p> <p>Timeliness means getting information in a suitable timeframe to be able to make appropriate decisions. By getting the monthly summaries, Mason can evaluate the impact on income more regularly / monthly and therefore respond faster if needed. This is instead of waiting until the end of the financial year to see the financial impact of the 3D movies.</p>

N1	N2	A3	A4	M5	M6	E7	E8
With no context reference.		With some context reference.		With clear context reference.		Integrates context in explanations.	
ONE description.	TWO descriptions.	THREE out of five described: <ul style="list-style-type: none"> income materiality predictive value confirmatory value timeliness. 	FOUR out of five described: <ul style="list-style-type: none"> income materiality predictive value confirmatory value timeliness. 	TWO out of four explained: <ul style="list-style-type: none"> income materiality relevance timeliness. 	THREE out of four explained: <ul style="list-style-type: none"> income materiality relevance timeliness. 	Justifies the reporting of the 3D income. TWO out of three justified: <ul style="list-style-type: none"> materiality relevance timeliness. 	Justifies the reporting of the 3D income. All THREE justified: <ul style="list-style-type: none"> materiality relevance timeliness.

N0 = No response; no relevant evidence

Question TWO	Evidence
(a)	The 3D projector cost NZ\$45 000 excluding GST to purchase from Germany. This is the conversion of 26 000 Euros to NZ\$. This follows monetary measurement as the financial statements for <i>Movie Matrix</i> must be reported in NZ\$. In addition to this, the delivery and installation cost another NZ\$4 000, giving a total cost of the 3D projector installed at NZ\$49 000. This is the historical cost of the asset and therefore the amount it should be reported at in the Statement of Financial Position for <i>Movie Matrix</i> , as this is the total original purchase price paid for the 3D projector and spent to get it operational. The historical cost of NZ\$49 000 can be verified by the invoice / receipt received from the German supplier of the projector and the New Zealand company for its installation.
(b) (i)	Depreciation on the 3D projector is an expense because it will decrease profit and therefore decrease equity. The depreciation will decrease the carrying amount / increase the accumulated depreciation of the 3D projector, resulting in a decrease in the 3D projector asset. The depreciation is a reduction in future benefit of the 3D projector and not a payment to Mason, the owner of <i>Movie Matrix</i> .
(ii)	The method of depreciation should reflect the using up of benefit of the asset / loss of future economic benefit of the asset. The 3D projector is expected to have a life of 25 000 hours; therefore, the cost of the 3D projector should be spread over the 25 000 hours, resulting in a depreciation rate of \$1.96 / hour. The more movies that are shown, the more hours the 3D projector is used, and the more future benefit it loses. The units of use method depreciates based on how much of the asset is used. Therefore, units of use is the most appropriate depreciation for the 3D projector.
(c)	<p>The carrying amount of the 3D projector is based on the cost less the accumulated depreciation. Depreciation is an estimate of the amount of benefit used of the asset and therefore may not accurately reflect the actual benefit used. As a result, the carrying amount of 3D projector of \$46 648 may not accurately reflect the benefit still to be gained.</p> <p>OR</p> <p>The 3D projector may need to be replaced before the carrying amount reaches \$0 as the accumulated depreciation cannot exactly reflect the benefit lost. <i>Movie Matrix</i> may choose to replace the 3D projector earlier (or later), to maintain the quality of the movies it shows.</p> <p>OR</p> <p>The 3D projector carrying amount \$46 648 is a book value that might not be relevant to decision making if <i>Movie Matrix</i> is thinking of selling the 3D projector. It does not reflect the current market value of the 3D projector.</p>

N1	N2	A3	A4	M5	M6	E7	E8
With no context reference.		With some context reference.		With clear context reference.		Integrates context in explanations.	
ONE description.	TWO descriptions.	THREE out of five described: <ul style="list-style-type: none"> • expense (two out of three criteria) • units of use depreciation • historical cost • monetary measurement • limitation. 	FOUR out of five described: <ul style="list-style-type: none"> • expense (two out of three criteria) • units of use depreciation • historical cost • monetary measurement • limitation. 	TWO out of five explained: <ul style="list-style-type: none"> • expense • units of use depreciation • historical cost • monetary measurement • limitation. 	THREE out of five explained: <ul style="list-style-type: none"> • expense • units of use depreciation • historical cost • monetary measurement • limitation. 	Justifies the depreciation of the 3D projector. TWO out of three justified: <ul style="list-style-type: none"> • units of use depreciation • historical cost • limitation on decision making. 	Justifies the depreciation of the 3D projector. All THREE justified: <ul style="list-style-type: none"> • units of use depreciation • historical cost • limitation on decision making.

N0 = No response; no relevant evidence.

Question THREE	Evidence
(a)	<p>Accrual basis requires transactions to be reported in the period to which they relate. The \$3 000 prepaid for insurance relates to the next accounting period and therefore is subtracted from the existing \$39 000 insurance expense and reported next year. The current asset of prepayments \$3 000 is a benefit for <i>Movie MatriX</i> of insurance cover in the next accounting period and hence reported in the Statement of Financial Position.</p> <p>\$9 000 insurance is paid quarterly, equating to \$3 000 per month. In a 12-month year, the insurance expense should be \$36 000. As \$39 000 has been paid this year, it means \$3 000 insurance has been prepaid.</p> <p>The benefit of \$3 000 insurance cover will be received by <i>Movie MatriX</i> (or it is entitled to this as a refund if the insurance is cancelled) in the next accounting period / accounting period ended 31 March 2024, and therefore is reported as a current asset as Prepayments \$3 000 this year.</p>
(b)	<p>The Statement of Cash Flows details the cash receipts, cash payments, and changes to the bank balance for a period of time. It assists <i>Movie MatriX</i> in determining whether its cash balance is improving or not and where it is getting its cash from.</p> <p>The bank overdraft of \$4 100 is a faithful representation of the liability for <i>Movie MatriX</i> because the \$4 100 is measurable. <i>Movie MatriX</i> has a bank statement that is evidence of how much is overdrawn / how much <i>Movie MatriX</i> owes to the bank / lender.</p> <p>A potential lender will see <i>Movie MatriX</i> has an overdraft of \$4 100 and may be reluctant to lend it further money, as it currently has other debts to repay that may reduce the chance of <i>Movie MatriX</i> being able to repay the lender. The potential lender may decide that <i>Movie MatriX</i> needs to repay its bank overdraft before they approve lending.</p> <p>OR</p> <p>A potential lender will see <i>Movie MatriX</i> has an overdraft of \$4 100 and may believe that this is not a material amount / major amount of debt given their annual income last year was \$358 000 / have paid for the new projector which won't happen again this year and therefore be happy to lend to them further. The potential lender will take the \$4 100 overdraft into consideration when deciding how much to lend <i>Movie MatriX</i> and possibly not lend it as much as if it was a positive bank account.</p>

N1	N2	A3	A4	M5	M6	E7	E8
With no context reference.		With some context reference.		With clear context reference.		Integrates context in explanations.	
ONE description.	TWO descriptions.	THREE out of five described: <ul style="list-style-type: none"> • accrual basis • prepayment a current asset • faithful representati on of liability • lender decision • statement of cash flow. 	FOUR out of five described: <ul style="list-style-type: none"> • accrual basis • prepayment a current asset • faithful representati on of liability • lender decision • statement of cash flow. 	TWO out of four explained: <ul style="list-style-type: none"> • accrual basis • prepayment a current asset • faithful representati on of liability • lender decision. 	THREE out of four explained: <ul style="list-style-type: none"> • accrual basis • prepayment a current asset • faithful representati on of liability • lender decision. 	TWO out of three justified: <ul style="list-style-type: none"> • accrual basis \$3 000 prepayment a current asset • faithful representati on of liability • lender decision. 	All THREE justified: <ul style="list-style-type: none"> • accrual basis \$3 000 prepayment a current asset • faithful representati on of liability • lender decision.

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