

Assessment Schedule – 2023**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

Q	Evidence
ONE (a)(i)	Hineata can see that MEL is committed to kaitiakitanga in using natural resources to generate power – the company uses water / hydro (from the Waikato River), steam from Central North Island geothermal fields, and wind from Manawatū, South Taranaki, and Otago. The company only uses renewable forms of natural resources for power generation. MEL is also committed to reducing carbon emissions / decarbonisation of the economy. This means the company's values align with Hineata's wish to invest in a company committed to kaitiakitanga, so she would be happy to purchase shares in MEL.
(ii)	Hineata can see that MEL has had growing return / dividends over the last 14 years, which could continue. So, when she invests in MEL she will receive a dividend / good return. The latest full year, being 20 cents per share up from 17 cents per share, making her investment worthwhile.
(b)	<p>For assets, liabilities, incomes, and expenses (and equity) to be reported in the financial statements, they need to be assigned a dollar value so unlike items can be added together. For example, MEL's assets would have hydro (dams) with a monetary value added to wind (farms) with a monetary value. (Or any suitable reference to MEL's different incomes / expenses / assets / liabilities needing a dollar value so they can be reported.) The monetary value needs to be in the same currency so New Zealand Dollars are used so that the values are consistent / measured in the same unit of currency.</p> <p>MEL is a large reporting entity and has assets, liabilities, incomes, and expenses with values / amounts in millions of dollars, for example generation assets have a fair value of \$7 723 million. Materiality means the amounts can be rounded to the nearest million without losing the ability to be useful for Hineata's decision making. The amounts are of such magnitude that rounding to the nearest million does not prevent Hineata making a sound decision to invest in MEL's shares.</p> <p>Evidence should be based around the following explanation of materiality from the <i>2018 NZ Conceptual Framework</i>.</p> <p>Information is material if omitting, misstating, or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial reports (see paragraph 1.5) make on the basis of those reports, which provide financial information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity's financial report.</p>

Judgement

For Excellence the answer must link the \$m to Hineata’s decision making in Question One (b).

Evidence in (a) has two explanations that can be used to award Achievement or Merit.

Evidence in (b) has two explanations – monetary measurement contributes to Achievement or Merit, materiality contributes to Excellence.

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

For example, stating “Information is material if omitting it could be reasonably expected to influence decisions that primary users make” is a statement (possibly rote learned) not an explanation. An explanation will add a reference to information about assets, liabilities, expenses, incomes, or cash flows that have a size (or nature) that would influence Hineata’s decision. For example, generation assets \$7 723 million are of such a size (large value) that the figures are more understandable / relevant / helpful for Hineata when she makes a decision to purchase the shares in MEL, while using a lesser rounding would make it harder to read / make a decision.

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.	ONE explanation from (b) in context. ONE more explanation from (a) or (b).	THREE explanations in context.	Materiality is explained by integrating the context including reference to Hineata’s decision making. One part may be weaker.	Materiality is explained by integrating the context, including reference to Hineata’s decision making.

N0 = No response; no relevant evidence.

Q	Evidence
TWO (a)	The purchase of the wind farm assets to make MEL the largest provider of wind farm generation confirms the business is growing its generation capability / has future renewable generation capacity to earn income from / is a secure company that is growing to provide share price growth / dividends into the future (any reference to Hineata's decision in context).
(b)	<p>Wind farm assets were purchased for a total cost of \$1 026m (idea of past event in context).</p> <p>Wind farm assets are owned by MEL so only MEL can benefit from the sale of electricity generated by the wind farm assets / wind turbines / windmills, or MEL can prevent others from benefiting from the sale of electricity generated by the wind farm assets (idea of control of the future economic benefits in context).</p> <p>In the future, the wind farm assets will generate electricity that is sold on the wholesale electricity market bringing income and (ultimately) cash into MEL (idea of what the future economic benefit is / where it comes from linked to the wind farm assets).</p> <p>The wind farm assets have a cost of \$1 026m when purchased during the year ended 30 June 2022, so this amount is representative of the fair value / faithfully represents the cost of the asset and its potential to produce economic benefit. The amount is verifiable as it will be recorded / reported on the contract MEL and <i>Tilt Renewables</i> signed for the sale of the New Zealand wind farm assets.</p> <p>The amount is relevant as wind farm assets purchased have made MEL the largest wind farm generator of electricity in New Zealand, or it is relevant to report the wind farm assets as it helps users such as Hineata make decisions about whether or not to invest in MEL when they want to invest in a company that practises kaitiakitanga / generates electricity from renewable resources.</p>

Judgement

N1	N2	A3	A4	M5	M6	E7	E8
ONE description related to the wind farm assets with limited context.	TWO descriptions related to the wind farm assets with limited context.	ONE explanation related to Hineata's decision or the wind farm assets with some reference to context.	TWO explanations related to Hineata's decision and / or the wind farm assets with some reference to context.	THREE explanations related to Hineata's decision and / or the wind farm assets in context.	THREE explanations related to Hineata's decision and the wind farm assets in context.	Accurately integrates the context into the explanations of Hineata's decision and the wind farm assets, clearly justifying why it would be reported in the financial statements as an asset costing \$1 026m. One part may be weaker.	Accurately integrates the context into the explanations of Hineata's decision and wind farm assets, clearly justifying why it would be reported in the financial statements as an asset costing \$1 026m.

N0 = No response; no relevant evidence.

Q	Sample Evidence
<p>THREE (a)</p>	<p>The purchase of the wind farm assets, partly funded by debt, indicates MEL is a going concern because it shows MEL plans to continue operating as an electricity generator using 100% renewable energy source, otherwise they would not have spent \$1 026m on the assets. They would not have received \$189m debt finance to buy the assets if the bank wasn't confident MEL would be able to pay the debt in the future – requiring MEL to continue operating into the foreseeable future. MEL would only buy wind farm assets and fund them with debt if it had no intention to liquidate the company in the near future but intended to continue operating.</p> <p>Reference to the wind farm assets being reported as non-current assets or property, plant, and equipment / the debt as non-current liability will also provide evidence of understanding of going concern in context.</p> <p>Note: figures such as \$1 026m are not required.</p>
<p>(b)</p>	<p>The gain on sale of financial assets arose because the shares / financial assets were sold at a profit / for \$367m more than their cost, representing an inflow of economic benefit / cash / increase in cash (bank) that did not come from the shareholders so it is 'other income' for MEL as it increases profit for the year, increasing retained earnings in equity and increasing equity.</p> <p>The amount is relevant as it is a substantial gain (\$367m) on the sale of financial assets that needs to be reported as income / needs to be disclosed as assisting with the finance of the wind farm assets/ will help users see the source of of a substantial amount of 'other income' that will be reported in the consolidated income statement.</p> <p>The amount has a reliable measure / faithfully represents the gain on sale of financial assets as it is the difference between the cost of the financial assets and the total amount received for them. This is a cash transaction that can be measured by the amount of cash received, and the cost of the financial assets would have been recorded as a transaction cost when the financial assets were purchased so the difference or gain on sale is objectively measured.</p> <p>Note: candidates may approach the recognition criteria in a number of ways when answering this question. Both parts of the recognition criteria are needed for E8.</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 related to the going concern or gain on sale.	TWO explanations with some reference to context related to the going concern or gain on sale.	THREE explanations in context related to either the going concern and/or gain on sale.	THREE explanations in context related to the going concern and gain on sale, with at least one from (a) and at least one from (b).	Accurately integrates the context into explanations related to the going concern and gain on sale. One part may be weaker.	Accurately integrates the context into explanations related to the going concern and gain on sale, and includes explanations of both recognition criteria in (b).

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