

Assessment Schedule – 2024**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.

Cut Scores

Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
0–6	7–13	14–18	19–24

Evidence

Q	Evidence
ONE (a)	<p>THL demonstrates its commitment to creating a work environment that prioritises the physical and mental health of its workforce. This information would reassure a potential employee that their employer values their well-being.</p> <p>Highlighting the concept of a living wage indicates that THL is dedicated to providing fair and equitable compensation to its employees. This information helps a potential employee to assess whether the job aligns with their financial goals.</p> <p>The mention of fair employment terms signifies that THL is committed to treating its employees equitably and with respect. It provides assurance to a potential employee that they can expect a fair employment relationship.</p> <p>Addressing employee discrimination indicates THL's commitment to diversity, equity, and inclusion. It assures a potential employee that they will be treated fairly, regardless of their background, which is vital information for fostering a positive workplace culture.</p>
(b)	<p>A potential employee of THL would be interested in the statement of cash flows for THL because it provides valuable information on the company's cash management, liquidity, and financial health. Its purpose is to provide a summary of a company's cash inflows and outflows during a specific period. It is divided into operating activities, financing activities, and investing activities.</p> <p>A potential employee can assess whether THL has enough cash on hand to meet its payment obligations promptly. A strong positive cashflow from operating activities indicates a healthy financial position, which would reassure a potential employee. If there is a history of consistent positive cashflow and cash reserves, a potential employee may be more willing to work for THL. Understanding THL's cashflow can help a potential employee make informed decisions about whether to work for the company. A strong and stable cashflow position can provide confidence in the longevity and reliability of the employee – employer relationship.</p>
(c)	<p>The auditors' statement shows the financial statements present fairly in all material respects the financial position, financial performance, and cash flows of THL. It ensures that a shareholder can rely on the information provided for making informed decisions about investing in THL. When THL present complete, neutral, and error-free reports, it makes it easier for shareholders to compare and contrast with previous years' results and the results of other entities, so they can make informed decisions with confidence in the information they are basing their decisions on.</p> <p>This answer could also include reference to the financial statements being based on NZIFRS, which makes them comparable to other entities' financial statements that are also based on NZIFRS.</p>

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.

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.	TWO justifications from: <ul style="list-style-type: none"> • potential benefit to employees • potential benefit to shareholders • faithful representation • comparability. 	THREE justifications from: <ul style="list-style-type: none"> • potential benefit to employees • potential benefit to shareholders • faithful representation • comparability.

N0 = No response; no relevant evidence.

Q	Evidence
TWO (a)	Audit fees of \$1 125 000 are revenue expenditure because THL pays them annually to <i>PwC New Zealand</i> for auditing services provided. As the audit fees are paid every year, they are of a recurring nature, and therefore the economic benefit is limited to the current accounting period only and is reported as an expense in THL's income statement.
(b)	<p>Income tax expense of \$17m is reported in THL's income statement as an expense because this is the tax on the current year's profit / decreasing profit for the year / profit available to shareholders.</p> <p>Tax payable of \$13m is reported as a current liability in the statement of financial position as it is part of the income tax expense not yet paid to the IRD / the amount of the tax expense that is owing to the IRD / the amount owing for income tax that will be paid in the next year / next accounting period.</p> <p>Recognition criteria:</p> <p>Relevance – taxation expense of \$17m is based on this year's profit and tax payable of \$13m is relevant as it's the amount of this year's income tax not yet paid to the IRD and will be paid in the next year.</p> <p>Faithful representation – IRD tax rules determine the amount of income tax that needs to be paid on the current year's profit.</p>

N1	N2	A3	A4	M5	M6	E7	E8
ONE description with limited context.	TWO descriptions with limited context.	TWO explanations with some reference to context.	THREE explanations with some reference to context.	TWO explanations in context from: <ul style="list-style-type: none"> • revenue expenditure • why income tax is an expense • why taxation payable is a liability • recognition criteria. 	THREE explanations in context from: <ul style="list-style-type: none"> • revenue expenditure • why income tax is an expense • why taxation payable is a liability • recognition criteria. 	TWO justifications from: <ul style="list-style-type: none"> • revenue expenditure • why income tax is an expense • why taxation payable is a liability • recognition criteria. 	THREE justifications from: <ul style="list-style-type: none"> • revenue expenditure • why income tax is an expense • why taxation payable is a liability • recognition criteria.

N0 = No response; no relevant evidence.

Q	Evidence
THREE	<p>Motorhomes held for sale are classified as current assets as they are intended to be sold and turned into cash within the next year / accounting period. Rental motorhomes are classified as PPE in non-current assets as they will be used for several accounting periods and be rented out to clients, bringing in income for THL.</p> <p>THL's property, plant, and equipment are recorded at the amount of cash or cash equivalents paid, or the fair value of the consideration given to acquire the property, plant, and equipment at the time of their acquisition. This amount of cash or cash equivalents includes the expenditure that is directly attributable to the acquisition of property, plant, and equipment, for example costs incurred in getting the assets into the location and condition ready for use. This type of expenditure is capitalised as the asset cannot be used if this capital expenditure is not first incurred.</p> <p>The work in progress of the motorhomes is an asset because the resources used to manufacture the motorhomes were purchased in the past. Only THL can benefit from these motorhomes once they have been manufactured and used by the company, which excludes others from using the motorhomes to earn income. Economic benefit will occur beyond the current year as the motorhomes will be retained by the company for many years and used to earn income for THL, which ultimately brings cash into THL.</p> <p>The work in progress is capital expenditure as the economic benefit will affect several future years' accounting periods and the current year's profit is not affected.</p>

N1	N2	A3	A4	M5	M6	E7	E8
ONE description with limited context.	TWO descriptions with limited context.	TWO explanations with some reference to context.	THREE explanations with some reference to context.	TWO explanations in context.	THREE explanations in context.	TWO justifications from: <ul style="list-style-type: none"> • distinction between current and non-current assets • application of historical cost • definition of an asset • capital expenditure. 	THREE justifications from: <ul style="list-style-type: none"> • distinction between current and non-current assets • application of historical cost • definition of an asset • capital expenditure.

N0 = No response; no relevant evidence.