

Assessment Schedule – 2006**Accounting: Describe and apply the conceptual basis of accounting in context (90500)****Evidence Statement**

- Code Key:
 - E = explain conflicts, limitations, interrelationships
 - A = apply and explain
 - D = describe, define or recognise
 - N = no grade awarded

Question	Evidence	Code
PART A (a)	<ul style="list-style-type: none"> • <i>The ability to raise finance through the issuing of shares</i> • <i>The company enjoys perpetual succession / indefinite lifetime</i> • <i>Transferability of ownership</i> <p>Judgement Any valid advantage. NOT greater access to capital by itself</p>	D
(b)	<p><i>Kiwiphone Ltd / The entity:</i></p> <ul style="list-style-type: none"> • <i>is an issuer of shares to the public / listed on stock exchange</i> • <i>is considered to be large (any two of assets > \$10 million; revenue > \$20 million; employees > 50)</i> • <i>has debt / debentures issued to the public</i> <p>Judgement Any one of the above Note: If just quoting numbers (not stating large) answer must use 2 numbers</p>	D
(c)	<p><i>The objective of general purpose financial statements is to provide information about the financial position, performance and changes in financial position (cash flows) of an entity that is useful to a wide range of users in making (economic) decisions</i></p> <p>Judgement Refers to the objective as providing information about any one of the financial statements as per evidence AND makes reference to users in making economic decisions.</p>	D

<p>(d)</p>	<p><i>Employees are interested in</i></p> <ul style="list-style-type: none"> • <i>information about the stability and profitability</i> • <i>donations / community assistance.</i> • <i>environmental issues such as disposal of phones that may be discussed in the report</i> • <i>information which enables them to see if Kiwiphone Ltd can pay their wages / salaries</i> • <i>information relating to the security of their jobs</i> <p>Judgement Either of the first three bullets</p> <p>Provides an answer that is linked to employees”</p>	<p>D</p> <p>A</p>
<p>(e)</p>	<ul style="list-style-type: none"> • <i>The Cash Flow Statement shows users where cash has come from and what cash has been spent on (during the year / period).</i> • <i>(The Cash Flow Statement) allows users to see if (Kiwiphone Ltd) generates sufficient cash to continue operating and investing in the future and financing those activities.</i> • <i>The Cash Flow Statement provides users of the financial statements with a basis to assess the ability of the entity to generate cash (and cash equivalents) and the needs of the entity to utilise those cash flows.</i> <p>Judgement First bullet – refers to providing information about the changes in an entity’s cash position.</p> <p>Second two bullets – adds a reason why users of the financial statements would need this information.</p>	<p>D</p> <p>A</p>
<p>(f)</p>	<ul style="list-style-type: none"> • <i>It must be paid within the next year / within one year from balance sheet date / within the normal operating cycle of the (phone) company.</i> • <i>The amount owing for employment benefits’ expense is a current liability as it is due to be repaid within the next year /12 months from balance sheet date / within the normal operating cycle of the (phone) company.</i> <p>Judgement First bullet point – must reference to future year/ next period.</p> <p>The expense/amount owing will be paid within next year / 12 months / normal operating cycle / next accounting period.</p>	<p>D</p> <p>A</p>

PART B (a)	Going concern.	D
(b)	<p><i>The prepaid insurance will be:</i></p> <ul style="list-style-type: none"> • <i>reported as an expense (in the Income Statement) in the next period as it relates to the next period or</i> • <i>deducted from the insurance expense (in the Income Statement) as the expense does not relate to this period / should be reported in the period it relates to (which is next period for the prepaid amount);</i> • <i>reported as Prepayments, a (current) asset in the (Balance Sheet) on balance day as it represents a future economic benefit of insurance cover to be received (in the next period).</i> <p>Judgement (Insurance) is reported in the period to which it relates.</p> <p>Prepaid insurance will be reported as an expense in the next period / is not included as an expense reported in the current period / is a (current) asset reported at the end of this period or on Balance Day or in the Balance Sheet for the period.</p> <p>Adds reference to the future economic benefit that will stem from the insurance in the next period – hence it being an asset now / an expense then.</p>	D A E
(c) (i)	<ul style="list-style-type: none"> • <i>Information has the quality of relevance when it influences the economic decisions of users by helping them evaluate past, present or future events or confirming / correcting, their past evaluations.</i> • <i>The directors feel that the survey acknowledgement is relevant as it may influence the economic decisions of users (by helping them to evaluate future events for Kiwiphone Ltd).</i> • <i>For example, by including an amount for goodwill, the company may give an indication to the users about the ability of Kiwiphone Ltd to generate future sales because customers voted them to be the best performing communication and on-line company in New Zealand.</i> <p>Judgement Defines relevance (first bullet) – must refer to decisions of users.</p> <p>Links relevance (can include materiality) to users making (economic) decisions in the context of Kiwiphone Ltd / directors / goodwill.</p> <p>Adds an example of a decision that could be made as a result of goodwill being included in the financial statements.</p>	D A E

<p>(c) (ii)</p>	<p><i>The amount of goodwill cannot be measured with reliability as NO underlying transaction has taken place to represent the amount.</i></p> <p>Judgement Answer must refer to the amount of goodwill, and that no transaction has taken place.</p>	<p>A</p>
<p>(d) (i)</p>	<p><i>The old cellphones will be measured / reported / recorded / included at net realisable value / \$4 000.</i></p> <p>Judgement States cellphones / inventory / it / they recorded at net realisable value or \$4 000.</p>	<p>D</p>
<p>(d) (ii)</p>	<ul style="list-style-type: none"> • <i>(The old cellphones will be included in inventory as \$4 000 / at net realisable value) so as not to overstate the asset (inventory)</i> • <i>The old cellphones will be included in inventory as \$4 000 / at net realisable value as this is the probable future economic benefit to flow to the entity from these phones Kiwiphone Ltd will no longer receive \$12 000 or more, but will net \$4 000 – so this is what the asset should be reported / measured at</i> <p>Judgement First bullet:</p> <ul style="list-style-type: none"> • so as not to overstate the asset inventory. <p>Second bullet:</p> <ul style="list-style-type: none"> • net realisable value / \$4 000 explained in terms of probable future economic benefit to be recovered from the old cellphones. 	<p>D</p> <p>E</p>
<p>(e)</p>	<p><i>A lease agreement means Kiwiphone Ltd can restrict the access of others to the premises so that Kiwiphone Ltd can enjoy the risks and benefits of ownership (even though they don't actually own the asset).</i></p> <p>Judgement Explanation refers to <i>Kiwiphone Ltd</i> being able to restrict / limit others' use of the asset so <i>Kiwiphone Ltd</i> gets the benefit – must have linked control to restricting / limiting others or exclusive right to use the premises. For example, Only <i>Kiwiphone Ltd</i> can use the premises.</p>	<p>A</p>

<p>(f) (i)</p>	<ul style="list-style-type: none"> <i>(The amount owing) for electricity is an increase in liabilities (accounts payable/Accrued Expenses)) which results in a decrease in equity as there is less profit / that is not a distribution to the owners / shareholders.</i> <i>Electricity (owing) is a decrease in economic benefit as the money is expected to be paid to the electricity supplier (in the future).</i> <p>Judgement First bullet – refers to the electricity (owing) being an increase in liabilities, and refers to the decrease in equity either by less profit or by not being a distribution. NOT referring to a decrease in assets.</p> <p>And explains the decrease in economic benefit – that the electricity is an expense, which will be paid / cash will be paid.</p>	<p>A</p> <p>E</p>
<p>(f) (ii)</p>	<ul style="list-style-type: none"> <i>It is probable that the money paid to the electricity supplier will flow from Kiwiphone Ltd, otherwise the electricity supplier will not continue providing the service to Kiwiphone Ltd or</i> <p>Judgement <i>Kiwiphone Ltd will pay (probable) the electricity supplier bill.</i></p> <p><i>Kiwiphone Ltd will pay (probable) the electricity supplier bill and EITHER gives a reason why OR explains the future economic benefit as money being paid or an outflow of money</i></p> <p><i>Kiwiphone Ltd will pay (probable) the electricity supplier bill and gives BOTH a reason why AND explains the future economic benefit as money being paid or an outflow of money.</i></p>	<p>D</p> <p>A</p> <p>E</p>

Overall Judgement Statement

Accounting: Describe and apply the conceptual basis of accounting in context (90500)

Achievement	Achievement with Merit	Achievement with Excellence
<p>SIX grades including: 2 × A or E ONE grade in Part A ONE grade in Part B</p>	<p>NINE grades including: 5 × A or E FIVE grades in Part B</p>	<p>TWELVE grades including: 2 × E FIVE more A or E SEVEN grades in Part B</p>

Codes

D = recognise, describe or define

A = explain and apply

E = explaining conflicts, limitations, interrelationships