

Assessment Schedule – 2008**Accounting: Describe and apply the conceptual basis of accounting in context (90500)**

Note: Where more than one grade can be awarded for a question, award the highest grade the candidate's answer achieves – **e** being the highest grade, followed by **a** then **d**.

Each question can be awarded only ONE grade.

Codes used

N = No grade awarded

d = describe (define or recognise) and apply

a = apply and explain

e = explain conflicts, limitations, interrelationships

Evidence Statement

Q	Evidence	Code
PART A		
(a)	<p>An important piece of information in a company incorporation application could be:</p> <ul style="list-style-type: none"> • the names and addresses of all shareholders • a registered office and address • the names and addresses of all directors • a constitution – if it applies • signed consents by directors (including certificates indicating they are not disqualified) • signed shareholder consents to take the stated number of shares. <p>Judgement Any ONE valid piece of information.</p>	d
(b)	<ul style="list-style-type: none"> • If <i>Topmarts Ltd</i> experiences financial difficulties and cannot pay its debts, Elizabeth is not personally liable for <i>Topmarts Ltd's</i> debts/Elizabeth's personal assets are protected and cannot be sold to repay <i>Topmarts Ltd's</i> debts. • This applies to Elizabeth as the extent of her liability is limited to any amounts outstanding on her shares or any liability imposed on her by the company's constitution. <p>Judgement First bullet point – must refer to Elizabeth being not personally liable/Elizabeth's personal assets being protected.</p> <p>Second bullet point – explains a reasonable example of how limited liability applies to Elizabeth.</p>	d OR a
(c)	<p><i>Topmarts Ltd</i> does not qualify for differential reporting because it is a large company. Its total assets of \$25 million are above the allowable \$10 million threshold for differential reporting, and similarly its turnover of \$30 million is above the allowable \$20 million threshold.</p> <p>Judgement Refers to both boundary numbers only (not their relationship to <i>Topmarts Ltd</i>).</p> <p>States <i>Topmarts Ltd</i> is large OR refers to either boundary number and its relationship to <i>Topmarts Ltd</i>.</p> <p>States that <i>Topmarts Ltd</i> is large AND compares both total assets and turnover to the boundary numbers.</p>	d OR a OR e

Q	Evidence	Code
PART A (d)	<p>NZ Equivalents to International Financial Reporting Standards:</p> <ul style="list-style-type: none"> provide rules and guidelines that establish requirements for the recognition, measurement, presentation and disclosure of transactions (and other events) in general purpose financial statements are the primary indicators of generally accepted accounting practice (GAAP) when measuring financial elements in the preparation of general purpose financial reports. <p>Judgement NZ IFRS are rules/GAAP used in preparation of financial reports/statements.</p> <p>Adds reference to measuring transactions / financial elements.</p>	d OR a
(e)	<p>Peter must disclose his relationship with <i>Fortification Services</i> because it will help users of the financial statements to determine whether he has a conflict of interest relating to any transactions involving <i>Topmarts Ltd</i> and <i>Fortification Services Ltd</i>. This will ensure he acts in the best interest of <i>Topmarts Ltd</i>.</p> <p>Judgement Answer identifies the conflict of interest idea.</p> <p>Explains that users are able to determine Peter's involvement in transactions between <i>Topmarts Ltd</i> and <i>Fortification Services Ltd</i> or to ensure that Peter acts in the best interest of <i>Topmarts Ltd</i>.</p>	d OR a
(f)	<p>Non-monetary items, such as the ability and quality of staff/location etc, are not reported in the financial statements, which may impact on the future profitability of <i>Topmarts Ltd</i>/which can significantly influence <i>Topmarts Ltd's</i> ability to generate cash. This can influence a potential shareholder's decision to purchase shares, as it could affect the dividend they will be paid.</p> <p>Judgement Identifies a realistic non-monetary item.</p> <p>Identifies a realistic non-monetary item and explains how the omission of this non-monetary items is EITHER a limitation of <i>Topmarts Ltd's</i> financial statements OR explains how this may influence a potential shareholder</p> <p>Identifies a realistic non-monetary item and explains how the omission of this non-monetary items is BOTH a limitation of <i>Topmarts Ltd's</i> financial statements AND explains how this may influence a potential shareholder.</p>	d OR a OR e

Q	Evidence	Code
PART B		
(a)	<p>Shareholders are assumed to have a reasonable knowledge of <i>Topmarts Ltd</i> and its supermarket activities, and a willingness to study <i>Topmarts Ltd's</i> information with reasonable diligence.</p> <p>Judgement Describes that users are assumed to have <i>EITHER</i> reasonable knowledge of <i>Topmarts Ltd's</i> operation as a supermarket owner <i>OR</i> a willingness to study <i>Topmarts Ltd's</i> information with reasonable diligence.</p> <p>Describes that users are assumed to have <i>BOTH</i> reasonable knowledge of <i>Topmarts Ltd's</i> operation as a supermarket owner <i>AND</i> a willingness to study <i>Topmarts Ltd's</i> information with reasonable diligence.</p> <p>Note: Reasonable knowledge of Accounting is OK.</p>	<p>d</p> <p>OR</p> <p>a</p>
(b)	<p>How compliance with NZ GAAP helps to achieve comparability:</p> <ul style="list-style-type: none"> • Comparability is achieved when comparisons are made between different entities, and of the same entity, over different time periods. • Compliance with NZ GAAP will lead to <i>Topmart Ltd's</i> financial statements being prepared in a consistent way, which allows users to make comparisons between <i>Topmarts Ltd</i> and different entities, and of <i>Topmarts Ltd</i> over different time periods. <p>Judgement First bullet point – defines comparability.</p> <p>Refers to compliance with NZGAAP which leads to <i>Topmart Ltd's</i> financial statements being prepared in a consistent way without explaining comparability.</p> <p>Second bullet point – explains how comparability is achieved by linking compliance with NZ GAAP to financial statement being prepared consistently.</p>	<p>d</p> <p>OR</p> <p>a</p> <p>OR</p> <p>e</p>
(c)	<p>How the financial statements were prepared using the going concern assumption:</p> <ul style="list-style-type: none"> • The financial statements of <i>Topmarts Ltd</i> are prepared on the assumption that the entity is a going concern and will continue to operate into the foreseeable future. • The financial statements of <i>Topmarts Ltd</i> are prepared on the assumption that the entity is a going concern, as its management has no intention of liquidating the company or ceasing to trade and has not identified any circumstances that may force it to cease trading. <p>Judgement First bullet point – defines going concern.</p> <p>Second bullet point – applies going concern to <i>EITHER</i> no intention of liquidation <i>OR</i> no circumstance to cease trading.</p>	<p>d</p> <p>OR</p> <p>a</p>

Q	Evidence	Code
PART B (d)	<p>Prepaid advertising will be deducted from the advertising reported in the income statement because the advertising has not occurred in this period.</p> <p>The prepaid advertising/prepayment will be reported as a current asset in the balance sheet on balance day/this period, as it represents a future economic benefit because the advertising will generate sales, and thus a cash inflow, next period.</p> <p>Judgement Prepaid advertising is deducted from advertising reported in the current period (not included as an expense for this period)/will be reported as an expense in the next accounting period OR 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>Prepaid advertising is deducted from advertising reported in the current period (not included as an expense for this period)/will be reported as an expense in the next accounting period AND is a (current) asset reported at the end of this period or on balance day or in the balance sheet for the period. OR is a (current) asset reported at the end of this period or on balance day or in the balance sheet for the period AND refers to the future economic benefit the advertising will generate next year.</p> <p>Explains what happens to the advertising expense AND the creation of an asset AND refers to the future economic benefit the advertising will generate next year.</p>	<p>d</p> <p>OR</p> <p>a</p> <p>OR</p> <p>e</p>
(e)	<p>How reporting of land at current cost is different from reporting it at realisable value:</p> <ul style="list-style-type: none"> • Using the current cost measurement base for land means land is being reported at the amount of cash that would need to be paid to acquire a similar piece of land. • Using the current cost measurement base for land means land is being reported at the amount of cash that would need to be paid to acquire a similar piece of land, not at the amount of cash that could be received by selling the land in an orderly disposal, which is the realisable value measurement base. <p>Judgement Describes how land is reported at either current cost or realisable value</p>	<p>a</p>
(f)	<p>How a term deposit reported in the balance sheet as an asset will provide future economic benefit: A term deposit has future economic benefit as it will provide <i>Topmarts Ltd</i> with interest received, which is the future income generated from the asset.</p> <p>Judgement States that the future economic benefit is the income <i>Topmarts Ltd</i> will receive from the term deposit.</p> <p>Explains that the future economic benefit is interest received, which is income for <i>Topmarts Ltd</i>.</p>	<p>d</p> <p>OR</p> <p>a</p>

Q	Evidence	Code
<p>PART B (g)</p>	<p>[The amount paid] for auditors' fees is a decrease in assets (bank), which results in a decrease in equity as there is less profit/that is not a distribution to the shareholders. There is a decrease in economic benefits as money has been paid to the auditors.</p> <p>Judgement Refers to auditors' fees (paid) being a decrease in the asset (bank) and refers to the decrease in equity, either by less profit or by not being a distribution. Does NOT refer to an increase in liabilities.</p> <p><i>AND</i> explains the decrease in economic benefit as money has been paid to the auditors / payment to the auditors being a cash outflow.</p>	<p>a <i>OR</i> e</p>
(h)	<ul style="list-style-type: none"> Information is reliable when it is free from material error and bias, and can be depended on by users to faithfully represent that which it either purports to represent, or can reasonably be expected to represent. The rent received of \$48 000 can be reliably measured as there will be a rental agreement between <i>Healthy Days Ltd</i> and <i>Topmarts Ltd</i> that faithfully represents the amount of rent received. <p>Judgement First bullet point – defines reliability. Explains how the rent received is reliable by referring to an appropriate source document. As per a grade <i>AND</i> adds that the identified source document can faithfully represent the amount of rent received.</p>	<p>d <i>OR</i> a <i>OR</i> e</p>

Judgement Statement

Achievement	Achievement with Merit	Achievement with Excellence
<p>6 grades total 3 grades a or e 1 grade from Part A 1 grade from Part B</p>	<p>9 grades total 7 grades a or e 5 grades from Part B</p>	<p>11 grades total 3 grades e 6 more grades a or e 6 grades from Part B</p>