

**Assessment Schedule – 2009****Accounting: Describe and apply the conceptual basis of accounting in context (90500)****Evidence Statement**

Question	Evidence	Code
<b>ONE</b> (a) (i) (ii)	The identified user of accounting information requires <i>Empire Construction Limited</i> to prepare general purpose financial statements <b>as the identified user is unable to require or contract for, the preparation of special statements/reports to meet their specific information needs.</b>	
	<b>Judgement</b> Identifies individual users such as potential investors, employees etc and describes their information needs for general purpose financial statements <b>bold text</b>	<b>d</b> <b>OR</b> <b>a</b>
(b)	NZ GAAP refers to the <b>specific rules</b> , practices and procedures relating to particular circumstances, broad concepts and principles of general application <b>on which general purpose financial statements are prepared.</b>	
	<b>Judgement</b> Answer refers to specific rules etc in <b>preparation</b> of statements – no specific reference to general purpose financial statements <b>bold text</b>	<b>d</b> <b>OR</b> <b>a</b>
(c)	<ul style="list-style-type: none"> <li>The Statement of Accounting Policies provides, for users of <i>Empire Construction Ltd's</i> general purpose financial statements, the accounting policies adopted in the preparation of those general purpose financial statements.</li> <li>This allows users to understand the significance of the information contained in <i>Empire Construction Ltd's</i> general purpose financial statements.</li> </ul>	
	<b>Judgement</b> First bullet point – users knowing the policies (or an example of a policy)/ assumptions/ bases that have been used in preparation of the reports  Both bullet points – adds the link to understandability	<b>a</b>  <b>OR</b> <b>e</b>

**Judgement Statement – Question One**

Achievement	Achievement with Merit	Achievement with Excellence
1 code from (b) or (c)	2 codes including 1 <b>a</b> OR <b>e</b>	2 codes including 1 <b>e</b>

Question	Evidence	Code
<p><b>TWO</b> (a) (i)</p>	<ul style="list-style-type: none"> <li>• (The amount received) for fees received or the \$50 000 is an inflow/increase of assets (bank) that results in an increase in equity because there is more profit/that is not a contribution from the owners/shareholders.</li> <li>• The \$50 000 of fees received is an increase in economic benefit because the money has been received from the business that employed <i>Empire Construction Ltd</i> for the construction project.</li> </ul> <p><b>Judgement</b> First bullet point – refers to the fees received or the \$50 000 being an increase in assets (bank), and refers to the increase in equity either by more profit or by not being a contribution. NOT referring to a decrease in liabilities AND explains the increase in economic benefit as the money that has been received from the construction project – second bullet point.</p>	<p><b>a</b> <b>OR</b></p> <p><b>e</b></p>
<p>(ii)</p>	<ul style="list-style-type: none"> <li>• The \$150 000 will be deducted from the fees received reported in the Income Statement for the period as this amount relates to next period</li> <li>• The \$150 000 of fees received/income in advance will be reported as a current liability in the Balance Sheet on balance sheet day because the costs of completing the construction project represent <b>a future outflow of economic benefit</b> – money may need to be refunded to the client if the construction project is not completed next year/service has to be provided</li> </ul> <p><b>Judgement</b> The \$150 000 is deducted from the fees received reported in the income statement for the current period (not included as income for this period)/will be reported as income in the next accounting period OR is a (current) liability reported at the end of period or on balance day or in the balance sheet for the period</p> <p>The \$150 000 is deducted from the fees received reported in the income statement for the current period (not included as income for this period)/will be reported as income in the next accounting period AND is a (current) liability reported at the end of period or on balance day or in the balance sheet for the period</p> <p>OR is a (current) liability reported at the end of period or on balance day or in the balance sheet for the period AND adds reference to the future outflow of economic benefit / service has to be provided</p> <p>Explains what happens to the fees received in the income statement AND the creation of a liability in the balance sheet AND adds reference to the future outflow of economic benefit.</p>	<p><b>d</b></p> <p><b>OR</b></p> <p><b>a</b></p> <p><b>OR</b></p> <p><b>e</b></p>

Question	Evidence	Code
<b>TWO</b> (b)	<ul style="list-style-type: none"> <li>The \$1 million of the loan is a current liability because it is due to be repaid or settled within the <b>next year</b> OR 12 months from balance sheet day OR within the normal operating cycle of <i>Empire Construction Ltd</i> OR <i>Empire Construction Ltd</i> does not have an unconditional right to defer settlement of this portion of the loan for at least twelve months after balance sheet day.</li> <li>The \$4 million of the loan is not required to be repaid or settled within the next year and is, therefore, classified as a non-current liability.</li> </ul>	
	<b>Judgement</b> Provides an explanation as to why the \$1 million dollars is reported as a current liability OR why the \$4 million is reported as a non-current liability  Provides an explanation as to why the \$1 million dollars reported as a current liability AND why the \$4 million is reported as a non-current liability	<b>d</b>  <b>OR</b> <b>a</b>
	<ul style="list-style-type: none"> <li>Because management of <i>Empire Construction Ltd</i> has no intention of liquidating the company OR has not identified any circumstances in the foreseeable future to indicate that the company is not going to continue to operate/cease trading, the general purpose financial statements are prepared based on the going concern assumption.</li> <li>This means that liabilities are measured and classified as current and non-current liabilities because it is assumed that <i>Empire Construction Ltd</i> will continue beyond the current year.</li> </ul>	
	<b>Judgement</b> First bullet point - provides an explanation as to why Empire Construction Ltd is a going concern as EITHER management has no intention of liquidation OR management has not identified any circumstances to cease trading/intention to discontinue operation.  Both bullet points - links explanation of going concern to the classification of liabilities as current and non-current.	<b>a</b>  <b>OR</b>  <b>e</b>

**Note: Candidates can get TWO codes for Question Two (b).**

### Judgement Statement – Question Two

Achievement	Achievement with Merit	Achievement with Excellence
1 a OR e	2 a OR e	3 codes including 2 e

Question	Evidence	Code
THREE (a)	It is <b>probable</b> (more than likely) that the motor vehicles' future economic benefit has decreased over the accounting period because the <b>motor vehicles were used during the year and will have less future economic benefit</b> on balance day than they had at the beginning of the accounting period.	
	<b>Judgement</b> Identifies that there has been a reduction in the value of motor vehicles as the motor vehicles have been used (during the year) OR Explains how the motor vehicles will now provide less future economic benefit  <b>bold text</b> – no reference to cash flowing out	a   OR  e
(b) (i) (ii)	The current cost measurement base used for buildings means that the buildings of Empire Construction Ltd are reported at the amount of cash that would have to be paid to acquire similar buildings. OR The current cost measurement base used for buildings means that the buildings are reported at their current value equivalent to other nearby properties.	
	<b>Judgement</b> Identifies current cost OR describes how the buildings are reported at current cost  Identifies current cost AND describes how the buildings are reported at current cost	d OR a
(iii)	<ul style="list-style-type: none"> <li>If <i>Empire Construction Ltd</i> obtains an independent valuation of the buildings, the characteristic of reliability is still satisfied because the upwards valuation was conducted by an independent registered valuer, who is neutral and free from material error and bias when completing the valuation.</li> <li>The upwards valuation of buildings is not completely reliable because the value of the buildings cannot be determined until the buildings are sold.</li> </ul>	
	<b>Judgement</b> Either bullet point  Both bullet points	a OR e

### Judgement Statement – Question Three

Achievement	Achievement with Merit	Achievement with Excellence
1 a	2 codes	2 codes including 1 e

Question	Evidence
<p><b>FOUR</b></p>	<p>Future capital expenditure commitments outline <i>Empire Construction Ltd's</i> intended <b>purchasing of new assets</b> with their accompanying costs in order to complete the upgrade of the sports stadium in time for the Rugby World Cup in 2011. For example, the capital expenditure might include the purchasing of more construction diggers, trucks etc.</p> <p>To be useful, information must be relevant to the decision-making needs of users. Information has the quality of relevance when it <b>influences the economic decisions of users</b> by helping them evaluate past, present or future events OR confirming or correcting their past evaluations.</p> <p>The disclosure of <i>Empire Construction Ltd's</i> future capital expenditure commitments is relevant to the decision-making of the company's users because this assists the users to predict:</p> <ul style="list-style-type: none"> <li>• whether <i>Empire Construction Ltd</i> is able to finance the purchase of the additional assets within budget</li> <li>• whether <i>Empire Construction Ltd</i> is likely to meet the future contractual obligation of upgrading the sports stadium on time and not incur any penalty costs for late completion.</li> </ul> <p>A component of relevance is materiality. Information is material if its <b>omission</b> or misstatement could <b>influence the economic decisions of users</b> taken on the basis of the information contained in <i>Empire Construction Ltd's</i> general purpose financial reports.</p> <p>This disclosure note is material because:</p> <ul style="list-style-type: none"> <li>• the significantly large amount of capital outlay required by <i>Empire Construction Ltd</i> in upgrading the sports stadium would influence users' decisions on the future financial stability of the company</li> <li>• the nature of signing a construction contract with penalty clauses for late completion would influence users' decisions by determining whether <i>Empire Construction Ltd</i> can complete the contract in time and what may be the predicted costs if the company finishes the upgrade of the sports stadium outside the two-year period.</li> </ul>

**Judgement Statement – Question Four**

Achievement	Achievement with Merit	Achievement with Excellence
<p>TWO of:</p> <ul style="list-style-type: none"> <li>• future capital expenditure commitments described</li> <li>• relevance described</li> <li>• materiality described</li> </ul>	<p>TWO of:</p> <ul style="list-style-type: none"> <li>• future capital expenditure commitments described</li> <li>• relevance described</li> <li>• materiality described</li> </ul> <p style="text-align: center;">AND</p> <p>makes an attempt to apply either relevance OR materiality to the disclosure note</p>	<p>All THREE of:</p> <ul style="list-style-type: none"> <li>• future capital expenditure commitments described</li> <li>• relevance described</li> <li>• materiality described</li> </ul> <p style="text-align: center;">AND</p> <p>relevance OR materiality is applied to the disclosure note</p>

**Overall Judgement Statement**

<b>Achievement</b>	<b>Achievement with Merit</b>	<b>Achievement with Excellence</b>
Any 3 grades OR 2 grades (must have 4 codes awarded throughout script)	3 <b>M</b>	3 <b>E</b> AND 1 other grade

Lower case **a**, **m**, **e** may be used throughout the paper to indicate contributing evidence for overall grades for questions.

The following Accounting-specific marking codes may have been used when marking this paper:

- N** No code awarded
- D** describe (define or recognise) and apply
- a** apply and explain
- e** explain conflicts, limitations, interrelationships