

Assessment Schedule – 2010**Accounting: Describe and apply the conceptual basis of accounting in context (90500)****Codes used**

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

Evidence Statement

Question	Evidence	Code
ONE (a) (i)	A partnership agreement can modify the Partnership Act (1908) to suit individual partnership requirements/needs such as to change the profit-sharing ratios. A partnership agreement can provide/state for example: <ul style="list-style-type: none"> rules setting out the rights, liabilities and duties of each partner how profits and losses are to be divided whether drawings, salaries to partners, interest on drawings, current or capital accounts and interest on advances are to be allowed procedures to be followed on death or retirement of partners. 	
	Judgement Any ONE valid reason	d
(a) (ii)	A partnership is not a separate legal entity (or the partners and the partnership are considered to be the same legal entity); therefore, the partnership's profits must be distributed to the partners (via a Profit Distribution Account/Statement) so that the partners, not the partnership, can pay tax. A company is a separate legal entity; therefore, the company, not the shareholders, must pay tax on the company's profits.	
	Judgement States that a partnership is not a separate legal entity/company is a separate legal entity Adds reference to profit distribution occurring in a partnership	a OR e
(b)	The additional investment is a contribution from the owners (John and Levi), hence it is not income for <i>Techxperts Ltd</i> as the income definition clearly states income is "not contributions from owners".	
	Judgement Just defines income/states the additional investment is a contribution from the owners Makes a clear link from the "not contributions from owners" aspect of the income definition to the additional investment being a contribution, so it is not income	d OR e
(c)	The purpose of the Statement of Changes in Equity is to reconcile the equity of <i>Techxperts Ltd</i> at the beginning of the given period with the equity of <i>Techxperts Ltd</i> at the end of the given period.	
	Judgement Shows the difference between opening and closing equity OR Shows the changes (increases or decreases) in equity for a given period Adds reference to <i>Techxperts Ltd</i> .	d OR a

Question	Evidence	Code
ONE (d) (i)	<ul style="list-style-type: none"> (The amount paid) for advertising or the \$20 000 is an outflow/ decrease in assets (bank) that results in a decrease in equity because there is less profit/that is not a distribution to the owners/ shareholders. The \$20 000 of advertising is a decrease in economic benefit because money has been paid from <i>Techxperts Ltd</i> to the advertising supplier as the service of advertising has been provided. 	
	<p>Judgement</p> <p>First bullet point – refers to advertising or the \$20 000 being a decrease in assets (bank), and refers to the decrease in equity either by less profit or by not being a distribution NOT referring to an increase in liabilities</p> <p>AND explains the decrease in economic benefit as the money that has been paid to the advertising supplier – second bullet point</p>	<p>a OR</p> <p>e</p>
(d) (ii)	<ul style="list-style-type: none"> The \$10 000 will be deducted from the advertising expense reported in the Income Statement for the period as this amount relates to next period. The \$10 000 of advertising/prepayment will be reported as a current asset in the Balance Sheet on Balance Sheet day because this represents a future economic benefit – the advertising service will be received next period/money may need to be refunded to <i>Techxperts Ltd</i> if the advertising service is not provided next year. 	
	<p>Judgement</p> <p>The \$10 000 is deducted from advertising reported in the income statement for the current period (not included as an expense for this period)/will be reported as an expense in the next accounting period</p> <p>OR</p> <p>is a (current) asset reported at the end of period or on Balance Sheet day or in the Balance Sheet for the period</p> <p>The \$10 000 is deducted from advertising reported in the income statement for the current period (not included as an expense for this period)/will be reported as an expense in the next accounting period</p> <p>AND is a (current) asset reported at the end of period or on balance day or in the Balance Sheet for the period</p> <p>OR</p> <p>is a (current) asset reported at the end of period or on Balance Sheet day or in the Balance Sheet for the period</p> <p>AND adds reference to the future economic benefit/service that will be received.</p> <p>Explains what happens to advertising in the income statement AND the creation of an asset in the Balance Sheet AND adds reference to the future economic benefit.</p>	<p>d</p> <p>OR</p> <p>a</p> <p>OR</p> <p>e</p>

Judgement Statement – Question One

Achievement	Achievement with Merit	Achievement with Excellence
3 codes including 1 a OR e	4 codes including 2 a OR e	5 codes including 2 e AND 1 other a or e

Question	Evidence	Code
TWO		
(a) (i)	Realisable (settlement) value	d
(a) (ii)	<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 estimated realisable value is a reliable measure as the historical cost of accounts receivable can be traced to the amount of unpaid invoices issued to customers and the allowance for doubtful debts is based on past experience with bad debts and the age of accounts receivable. 	
	Judgement First bullet point – defines reliability Explains how EITHER the (historical) cost of accounts receivable OR the allowance for doubtful debts is reliable Second bullet point – explains how the estimated realisable value is reliable by referring to BOTH the (historical) cost of accounts receivable AND the allowance for doubtful debts	d OR a OR e
(b)	<ul style="list-style-type: none"> Cash will be received within the next year / within one year from Balance Sheet day / within the normal operating cycle of the company. Accounts receivable are a current asset as they are expected to be realised (turned into cash) within the next year / twelve months after the Balance Sheet date / within the normal operating cycle of the company. 	
	Judgement First bullet point – must include cash (received) and future year / next period Second bullet point – refers to accounts receivable being realised or turned into cash within the next year / within twelve months after the Balance Sheet date / within the normal operating cycle / next accounting period	d OR a
(c)	<i>Techxperts Ltd</i> is required to give up (outflow) cash in the future to repay the loan to the bank. This cash, once paid, cannot be used elsewhere.	
	Judgement Bold parts	d
(d)	It is probable (more than likely) that money paid to the bank will flow from <i>Techxperts Ltd</i> to cover the amount owing for interest on loan, as <i>Techxperts Ltd</i> wants to maintain its credit rating / otherwise the bank may charge penalty fees / the bank may foreclose the loan and demand immediate full settlement of the loan.	
	Judgement It is probable (more than likely) that <i>Techxperts Ltd</i> will pay the interest owing and EITHER gives a reason why OR explains the future economic benefit as money being paid or an outflow of money. It is probable (more than likely) that <i>Techxperts Ltd</i> will pay the interest owing and gives BOTH a reason why AND explains the future economic benefit as money being paid or an outflow of money.	a OR e

Judgement Statement – Question Two

Achievement	Achievement with Merit	Achievement with Excellence
2 codes including 1 a or e	3 codes including 1 a or e	4 codes including 1 e AND 1 other a or e

Question	Evidence
THREE	<p>The characteristics of an exempt company are that the entity:</p> <ul style="list-style-type: none"> • is not an issuer (has no public accountability) • is not a subsidiary or has no subsidiaries • is small by satisfying TWO of: <ul style="list-style-type: none"> – total income of less than \$2 million – total assets of less than \$1 million – no more than 5 full-time-equivalent employees. <p><i>Techxperts Ltd</i> qualifies for differential reporting because it is a small company. The company's total assets of \$450 000 are below the allowable \$1 million threshold for differential reporting; similarly, the company's turnover of \$1 300 000 is below the allowable \$2 million threshold. Also, John and Levi are the only shareholders and members of the governing body (directors).</p> <p>This opportunity for <i>Techxperts Ltd</i> to use differential reporting comes from the benefit-cost criterion. The costs of producing general purpose financial statements for <i>Techxperts Ltd</i> would outweigh the benefits to John and Levi, as the only shareholders. This is because John and Levi are the directors in <i>Techxperts Ltd</i> (former partners in the business as well) and would already know a considerable amount about the company. Because of the small size of the company, <i>Techxperts Ltd</i>, as an exempt company, has few users interested in their general purpose financial reports.</p> <p>Therefore, the main advantage for John and Levi of differential reporting is that <i>Techxperts</i> does not need to comply with all the disclosure requirements of all NZ IFRS. That is, <i>Techxperts Ltd</i> can adopt less comprehensive financial statement disclosures. Thus, the cost of preparing <i>Techxperts Ltd's</i> financial statements is reduced.</p>

Judgement Statement – Question Three

Achievement	Achievement with Merit	Achievement with Excellence
<p>ANY TWO OF:</p> <ul style="list-style-type: none"> • describes ONE characteristic of an exempt company • refers to either boundary number and its relationship to <i>Techxperts Ltd</i> • refers to costs greater than benefits of preparing financial statements. 	<ul style="list-style-type: none"> • describes TWO characteristics of an exempt company • states <i>Techxperts</i> is small OR refers to both boundary numbers and their relationship to <i>Techxperts Ltd</i> • refers to costs greater than benefits of preparing financial statements AND adds an explanation by reference to ONE of few users/considerable knowledge 	<ul style="list-style-type: none"> • describes TWO characteristics of an exempt company • states that <i>Techxperts Ltd</i> is small AND compares both total assets and turnover to the boundary numbers • refers to costs greater than benefits of preparing financial statements AND adds an explanation by reference to BOTH few users and considerable knowledge • explains the main advantage as less disclosure requirements OR less financial reporting costs.

Overall Judgement Statement

Achievement	Achievement with Merit	Achievement with Excellence
Any 2 grades	3 grades including 2 M	2 E and 1 M