

Assessment Schedule – 2016

Accounting: Demonstrate understanding of accounting concepts for an entity that operates accounting subsystems (91174)

Assessment Criteria

Achievement	Achievement with Merit	Achievement with Excellence
<i>Demonstrate understanding</i> involves describing accounting concepts in relation to the entity.	<i>Demonstrate in-depth understanding</i> involves explaining accounting concepts in relation to the entity and its financial elements.	<i>Demonstrate comprehensive understanding</i> involves justifying accounting concepts by showing links between concepts, characteristics, and financial element recognition in relation to the entity.

Evidence Statement

Question	Evidence
<p>ONE</p> <p>(a)</p>	<p>The purpose of the Cash Flow Statement for <i>Beachsplash</i> is to determine where the cash came from and what it was spent on during the year, and whether there was a net increase or decrease in cash (which will explain the change in the bank balance for the year).</p> <p>The Cash Flow Statement summary for <i>Beachsplash</i> illustrates monetary measurement because it has been prepared using a common unit of measure, the New Zealand dollar.</p> <p><i>Torpedo7</i> can readily compare the Cash Flow of <i>Beachsplash</i> over the two years and can therefore see that the total receipts have risen from \$145 000 in 2014 to \$170 000 in 2015, and the net increase for the two years has risen from \$8 000 in 2014 to \$25 000 in 2015. This would indicate to <i>Torpedo7</i> that <i>Beachsplash</i> has a sufficient cash surplus to repay <i>Torpedo7</i>.</p>
(b)	<p>In the past, <i>Beachsplash</i> purchased the paddle boards. <i>Beachsplash</i> has control over the paddle boards, as it has exclusive rights to use them. The paddle boards provide future economic benefit to <i>Beachsplash</i>, because they are hired out to customers – which brings in cash / hire fees / income when the customers hire the paddle boards.</p> <p><i>Beachsplash</i> can recognise the paddle boards as an asset, as the cost of the paddle boards can be measured reliably, as there will be an invoice that verifies the cost that is free from bias.</p> <p>It is also probable that cash will flow to the business, as <i>Beachsplash</i> would intend to hire out the paddle boards to earn an income.</p> <p>The paddle boards are a non-current asset, because there is no intention to turn them into cash in the next 12 months – so they will continue to be hired out to customers over the years.</p>
Not Achieved	<p>N0 = No response; no relevant evidence</p> <ul style="list-style-type: none"> • identifies a purpose of the Cash Flow Statement • provides a partial definition of monetary measurement • provides a partial definition of comparability • provides two of past, present, and future in context of asset definition • provides a partial explanation of recognition criteria

	<ul style="list-style-type: none"> • provides a partial explanation of a non-current asset. <p>N1 TWO of the above N2 THREE of the above</p>
<p>Achievement</p>	<ul style="list-style-type: none"> • describes the purpose of the Cash Flow Statement • describes comparability in context (CR / CP / net increase) of the Cash Flow Statement for <i>Beachsplash</i> or correct language used (differences / similarities / trends) • correctly describes, in the context of the paddle boards, TWO of past, present, and future • correctly describes how one recognition criteria is being met for the non-current asset (paddleboards) • correctly identifies that a non-current asset will not be turned into cash within the next 12 months. <p>A3 TWO of the above A4 THREE of the above</p>
<p>Merit</p>	<p>Explains:</p> <ul style="list-style-type: none"> • how the monetary measurement has been illustrated in the Cash Flow Statement • how the qualitative characteristic of comparability has been applied to <i>Beachsplash</i> using dollar figures from the Cash Flow Statement summary and linking to the decision • why the paddle boards meet the past, present, and future definition requirements of an asset • how both parts of the recognition criteria are being met for the non-current asset (paddleboards) • why the paddle boards are a non-current asset (will benefit <i>Beachsplash</i> beyond 12 months and are, therefore, classified as a non-current asset). <p>M5 TWO of the above M6 THREE of the above</p>
<p>Excellence</p>	<p>Justifies:</p> <p>(a) how the monetary measurement has been illustrated in the Cash Flow Statement AND how the qualitative characteristic of comparability has been applied to <i>Beachsplash</i> using dollar figures from the Cash Flow Statement summary and how Torpedo7 can use this information</p> <p>(b) why the paddle boards meet the past, present, and future definition requirements of an asset AND how both parts of the recognition criteria are being met for the non-current asset (paddleboards) AND why the paddle boards are a non-current asset (will benefit <i>Beachsplash</i> beyond 12 months and are, therefore, classified as a non-current asset).</p> <p>E7 (a) or (b) E8 ALL of the above.</p>

Question	Evidence
<p>TWO (a)</p>	<p>The straight-line method of depreciation shows / reports / records the loss of service potential / consumption of future economic benefit as the same amount each year / spread evenly over the life of an asset.</p> <p>The units of use method of depreciation shows / reports / records the loss of service potential / consumption of future economic benefit as being different each year, depending on how the asset is used.</p> <p>Because the billboard's use doesn't change, and its economic benefit is consumed the same year after year, it is appropriate to depreciate it using the straight-line method.</p> <p>Paddle boards will suffer wear and tear and hence loss of useful economic benefit when they are hired out to customers. Therefore, the most appropriate method of depreciation for the paddle boards is the units of use method.</p>
<p>(b)</p>	<p><i>Beachsplash</i> has correctly reported the footpath sign in the Income Statement, because \$250 represents the original cost to purchase the sign.</p> <p>Information is material if its omission or misstatement (size and nature) could influence the economic decisions of users taken on the basis of the financial statements.</p> <p>The cost of the footpath sign, \$250, is immaterial as this amount is small (especially in comparison to the \$8 000 for the billboard). To report the footpath path sign as an advertising expense rather than a non-current asset will not / is unlikely to influence the decisions made by users / Wiremu of the financial statements as it will only reduce the net profit by a small amount / reduce the net assets (PPE) reported by a small amount.</p>

<p>Not Achieved</p>	<p>N0 = No response; no relevant evidence</p> <ul style="list-style-type: none"> • straight-line depreciation is the same each year OR units of use is different each year • the partially correct definition of historical cost • the partially correct description of materiality • how the footpath sign is immaterial. <p>N1 TWO of the above N2 THREE of the above</p>
<p>Achievement</p>	<p>Describes:</p> <ul style="list-style-type: none"> • straight-line depreciation is the same each year for the billboard and units of use is different each year, depending on how the asset is used • the historical cost in the context of the footpath sign, \$250 • the meaning of materiality • how the footpath sign is immaterial in amount. <p>A3 TWO of the above A4 THREE of the above</p>
<p>Merit</p>	<p>Explains:</p> <ul style="list-style-type: none"> • the straight-line depreciation method is used for the billboard because the billboard loses economic benefit at the same rate each year / the amount of economic benefit consumed is the same each year

	<ul style="list-style-type: none"> • the units of use method is appropriate for paddle boards because the amount of economic benefit consumed is not the same each year, due to varying wear and tear • explains how the footpath sign is material in terms of not reporting it as a non-current asset due to size and its relative lack of importance / significance in relation to the billboard and its impact on decision making. <p>M5 ONE of the above M6 TWO of the above</p>
<p>Excellence</p>	<p>Justifies:</p> <ul style="list-style-type: none"> • both methods of depreciation are accurately explained AND the pattern of consumption accurately explained for both the billboard and the paddle boards • links the definition of historical cost and materiality and compares and contrasts why the footpath sign is not reported as a non-current asset but as an expense, and its impact on decision making. <p>E7 ONE of the above E8 TWO of the above</p>

Question	Evidence
<p>THREE (a)</p>	<p>Paddle board hire and lessons, on credit, is an income for <i>Beachsplash</i>, as it increases economic benefits via an increase in the asset Accounts Receivable, which causes profit to rise, which leads to an increase in equity and is not related to a contribution by Wiremu, the owner.</p> <p>The amount of \$500 is neutral and free from bias as it is an arm's length transaction between <i>Beachsplash</i> and the school and is based on information in the invoice issued. The figure is not made up by Wiremu.</p>
(b)	<p>The paddle board hire and lesson fee of \$1 000 paid in advance by the school's holiday programme will be reported as income in advance, a current liability in the Statement of Financial Position for <i>Beachsplash</i>. This is because <i>Beachsplash</i> is obliged to hire out (future outflow of resources) the paddle boards to the customer in the future, in April 2016 (next accounting period), as the customer has already paid the hire fees for the paddle boards and lessons. In the Income Statement of <i>Beachsplash</i>, the paddle board hire and lesson income will be decreased by \$1 000 to \$27 000 for the period ended 31 March 2016, as the income received relates to the following financial year and needs to be reported in the period to which it relates.</p>

<p>Not Achieved</p>	<p>N0 = No response; no relevant evidence</p>
	<ul style="list-style-type: none"> • describes TWO of increase in economic benefits, increase in equity, or contributions from owner • partial definition of faithful representation • partial definition of accrual basis concept. <p>N1 ONE of the above N2 TWO of the above</p>
<p>Achievement</p>	<ul style="list-style-type: none"> • gives a definition of income with a link to either accounts receivable increasing or net profit increasing equity, and not contributions by Wiremu • describes neutral, free from bias OR makes reference to a source document. • describes accrual basis concept in the context of the Statement of Financial Position for <i>Beachsplash</i> – income received in advance increases • describes accrual basis concept in the context of the Income Statement for <i>Beachsplash</i> – paddle board hire and lesson income decrease <p>A3 TWO of the above A4 THREE of the above</p>
<p>Merit</p>	<p>Explains:</p> <ul style="list-style-type: none"> • correctly explains why hire fees is income – must use all three parts and refer to profit and accounts receivable increasing • explains faithful representation, the figure is accurate / it is not made up by Wiremu, as stated on the invoice issued • the accrual basis is applied to the Income Statement with a clear explanation that paddle board hire and lesson income will decrease by \$1 000 to \$27 000, because <i>Beachsplash</i> has not earned the income – belongs to the next accounting period • the accrual basis is applied to the Statement of Financial Position with a clear

	<p>explanation that Income Received in advance will increase by \$1 000 to recognise <i>Beachsplash's</i> current obligation.</p> <p>M5 TWO of the above M6 THREE of the above</p>
<p>Excellence</p>	<p>Justifies:</p> <ul style="list-style-type: none"> • uses the definition of income linked to accounts receivable increasing AND net profit increasing equity AND not a contribution from the owner, AND explains faithful representation in the context of the \$500 lesson fees and invoice issued • the accrual basis is applied to the Income Statement with a clear explanation that paddle board hire and lesson income will decrease by \$1 000 to \$27 000, because <i>Beachsplash</i> has not earned the income – it belongs to the next accounting period <p>AND</p> <p>the accrual basis is applied to the Statement of Financial Position with a clear explanation that income received in advance will increase by \$1 000 to recognise <i>Beachsplash's</i> current obligation.</p> <p>E7 ONE of the above E8 BOTH of the above</p>

Cut scores

Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
0 – 7	8 – 13	14 – 18	19 – 24