

Assessment Schedule – 2017

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 (a)</p>	<p>The purpose of the income statement is to measure / show the income and expenses of <i>Native Taupo</i> over a period of time.</p> <p>The financial affairs of <i>Native Taupo</i> are separate and distinct from the financial affairs of Holly. <i>Native Taupo's</i> income / expenses will be reported in the Income Statement for the business; Holly's personal expenses will be reported as Drawings in the Statement of Financial Position.</p> <p>If Holly includes any of her own income or expenses in <i>Native Taupo's</i> Income Statement, the profit figure being reported won't represent the profit of the business. The profit may be understated / lower than expected due to Holly including her personal expenses.</p>
<p>(b)</p>	<p>The loan is a liability for <i>Native Taupo</i> because it was taken out in the past, when the bank approved the loan. <i>Native Taupo</i> now / presently has an obligation to repay the loan in the future, which will result in an outflow of cash from <i>Native Taupo's</i> bank account.</p> <p>The loan is reported in the Statement of Financial Position as a non-current liability as the loan will not be paid back in the next 12 months. Any liability that is settled within 12 months is current, and this loan will not be settled for five years.</p> <p>Going concern means that <i>Native Taupo</i> will continue to operate into the foreseeable future. Reporting the loan as a non-current liability demonstrates the going concern concept as there is no intention to liquidate the business within the next 12 months, which means the business will continue to sell herbs / quad bike tours to pay back the loan.</p>

Not Achieved	N0 = No response; no relevant evidence
	<ul style="list-style-type: none"> • identifies a purpose of the income statement • partial definition of the entity concept • two of past, present, future in context of liability definition

	<ul style="list-style-type: none"> • partial explanation of a non-current liability • partial definition of the going concern concept. <p>N1 TWO of the above N2 THREE of the above</p>
Achievement	<ul style="list-style-type: none"> • describes the purpose of the income statement in context (<i>Native Taupo</i>) • describes the entity concept in the context of the Income Statement for <i>Native Taupo</i> • correctly describes, in the context of the loan, TWO of past, present and future • non-current liability will not be settled within the next 12 months • correctly describes, in the context of <i>Native Taupo</i>, the going concern concept. <p>A3 TWO of the above A4 THREE of the above</p>
Merit	<p>Explains:</p> <ul style="list-style-type: none"> • how the entity concept has been applied in the preparation of the income statement • how applying the entity concept to the income statement aids Holly in determining the success of <i>Native Taupo</i> • why the loan meets the past, present, and future definition requirements of a liability • why the loan is a non-current liability (as it will be settled within 5 years – not within 12 months, and is, therefore, classified as a non-current liability) • how reporting the loan as a non-current liability demonstrates the going concern concept (<i>Native Taupo</i> will continue to sell herbs / quad bike tours beyond 12 months in order to pay back the loan; there is no intention to liquidate the business within 12 months). <p>M5 TWO of the above M6 THREE of the above</p>
Excellence	<p>Justifies:</p> <p>(a) how the entity concept has been applied in the preparation of the income statement AND how applying the entity concept to the income statement aids Holly in determining the success of <i>Native Taupo</i></p> <p>(b) why the loan meets the past, present, and future definition requirements of a liability AND why the loan is a non-current liability (will not be settled within 12 months, and is, therefore, classified as a non-current liability) AND how reporting the loan as a non-current liability demonstrates the going concern concept (<i>Native Taupo</i> will continue to sell herbs / quad bike tours beyond 12 months in order to pay back the loan; there is no intention to liquidate the business within 12 months).</p> <p>E7 EITHER (a) or (b) E8 BOTH (a) and (b).</p>

Question	Evidence
<p>TWO (a)</p>	<p>The \$600 of advertising, excluding GST, paid in advance will be reported as a prepayment, a current asset in the Statement of Financial Position for <i>Native Taupo</i>. This is because <i>Native Taupo</i> has, at present, control of the \$600 of prepaid advertising, and the prepaid advertising will provide future economic benefit in the next accounting period.</p> <p>In the Income Statement the advertising expense will be decreased by \$600 for the year ended 31 March 2017 as the prepaid advertising relates to the next financial year, and needs to be reported in the period to which it relates.</p>
<p>(b)</p>	<p>The units-of-use method of depreciation assumes that the loss of future service potential of the quad bikes is based on the quad bike hire / use.</p> <p>Quad bikes will suffer wear and tear and hence loss of useful economic life when they are used on the quad bike tours. Therefore, it would be most appropriate for the quad bikes to use the units-of-use method of depreciation.</p> <p>The quad bikes will be reported minus their accumulated depreciation in the property, plant and equipment note, as this is relevant to decision-making. The carrying amount represented by this is relevant because it more accurately predicts the economic benefit that has already been used / the future economic benefit that remains.</p>

<p>Not Achieved</p>	<p>N0 = No response; no relevant evidence</p> <ul style="list-style-type: none"> • partial attempt at the accrual in the Income Statement • partial attempt at the accrual in the Statement of Financial Position • “units of use” is different each year • partial definition of relevance <p>N1 TWO of the above N2 THREE of the above</p>
<p>Achievement</p>	<p>Describes:</p> <ul style="list-style-type: none"> • the accrual basis concept in context of the Statement of Financial Position for <i>Native Taupo</i> – prepayments increases • the accrual basis concept in the context of the Income Statement for <i>Native Taupo</i> – advertising expense decreases • “units of use” is different each year, depending on how many times the quad bikes are used on tours • the definition of relevance in the context of the carrying 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 accrual basis is applied to the Statement of Financial Position with a clear explanation that prepayments will increase by \$600 to recognise the future economic benefit that <i>Native Taupo</i> will receive from the prepaid advertising • the accrual basis is applied to the Income Statement with a clear explanation that the advertising expense will decrease by \$600 because <i>Native Taupo</i> has not used the advertising yet, and therefore the expense belongs to the next accounting period

	<ul style="list-style-type: none"> • the units-of-use method is appropriate for the quad bikes because the amount of economic benefit consumed is not the same each year because of wear and tear being inconsistent, and is dependent on the number of tours that the bikes are used on • the application of relevance in reporting the quad bikes in the Statement of Financial Position (reduces the quad bikes to the carrying amount / predicts the FEB remaining in the quad bikes) / explains why the quad bikes decrease by the accumulated depreciation. <p>M5 ONE of the above M6 TWO of the above</p>
<p>Excellence</p>	<p>Justifies:</p> <p>(a) the accrual basis is applied to the Statement of Financial Position with a clear explanation that prepayments will increase by \$600 to recognise the future economic benefit that <i>Native Taupo</i> will receive from the prepaid advertising AND the accrual basis is applied to the Income Statement with a clear explanation that the advertising expense will decrease by \$600, because <i>Native Taupo</i> has not used the advertising yet and therefore the expense belongs to the next accounting period</p> <p>(b) the units-of-use method is appropriate for the quad bikes because the amount of economic benefit consumed is not the same each year because of wear and tear being inconsistent, and is dependent on the number of tours that the bikes are used on AND the application of relevance in reporting the quad bikes in the Statement of Financial Position (reduces the quad bikes to the carrying amount / predicts the FEB remaining in the quad bikes) / explains why the quad bikes decrease by the accumulated depreciation.</p> <p>E7 EITHER (a) or (b) E8 BOTH (a) and (b)</p>

Question	Evidence
<p>THREE (a)</p>	<p>Wild herb sales on credit is an income for <i>Native Taupo</i> as it increases economic benefits in the form of an increase in the asset accounts receivable, which causes an increase in profit, which leads to an increase in equity, and is not related to a contribution by Holly, the owner.</p> <p><i>Native Taupo</i> can recognise the wild herb sales as income because it is probable that the cash for the wild herb sales – a future economic benefit – will flow to <i>Native Taupo</i> because it is likely that customers will pay their accounts because they will have a legal obligation / want to continue to buy on credit / have a good credit history / pass the credit check.</p>
(b)	<p>Information is material if its omission or misstatement could influence any economic decisions made by users on the basis of the financial statements.</p> <p>Quad bike tour income is reported separately from wild herb sales, as the nature of this new service is important. Therefore, the impact of quad bike tours needs to be shown separately from wild herb sales. If the new income of quad bike tours fees was not reported separately, it would be difficult to see how much it had contributed to the total income of the business.</p> <p>OR</p> <p>The amount (\$12 500) for the new quad bike service is material, because it is a significant amount. Therefore it is important that the quad bike tour income is reported separately from hire fees income.</p> <p>Reporting quad bike tours separately makes it clearer how much this new service has contributed to the total income of the business, and will assist Holly in making a future decision about whether to continue to offer this service.</p>

<p>Not Achieved</p>	<p>N0 = No response; no relevant evidence</p> <ul style="list-style-type: none"> • describes TWO of: increases in economic benefits, increase in equity, or contributions from owner • it is probable that future economic benefit will flow to <i>Native Taupo</i> • partially correct description of materiality. <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 accounts receivable increasing or net profit increasing equity and not contributions by Holly • describes that it is probable that a future economic benefit will flow to <i>Native Taupo</i> because customers will pay what they owe • correctly describes the meaning of materiality • describes why quad bike tours are material in terms of separation due to size or nature. <p>A3 TWO of the above A4 THREE of the above</p>
<p>Merit</p>	<p>Explains:</p> <ul style="list-style-type: none"> • why wild herb sales is income – must use all three parts and refer to profit and accounts receivable increasing • that it is probable that cash will flow to <i>Native Taupo</i>, with a valid reason

	<ul style="list-style-type: none"> • why quad bike tours are material in terms of separation due to size or nature and the importance of this separation in the context of the new service of quad bike tours • how separating the new quad bike tour service from the main income will assist Holly to make decisions about <i>Native Taupo</i>. <p>M5 ONE of the above M6 TWO of the above</p>
<p>Excellence</p>	<p>Justifies:</p> <p>(a) why wild herb sales is income – must use all three parts and refer to profit and accounts receivable increasing AND that it is probable that cash will flow to <i>Native Taupo</i>, with a valid reason</p> <p>(b) why quad bike tours are material in terms of separation due to size or nature and the importance of this separation in the context of the new service of quad bike tours AND how separating the new quad bike tour service from the main income will assist Holly to make decisions about <i>Native Taupo</i>.</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