

Assessment Report

New Zealand Scholarship Accounting 2019

Standard 93203

Part A: Commentary

With a few exceptions, answers to the written questions were more succinct than previous years, which is desirable. A number of candidates took care to carefully plan their answers, and this was reflected in the quality of their scripts. However, there were a number of unstructured answers that rambled, particularly for the concepts question, with the longest being 8 pages. This is unnecessary and does not meet the scholarship performance criteria.

Question one was a concepts question that required critical thinking. Candidates were required to use the financial statement element definition and recognition criteria contained in the New Zealand Equivalent to the IASB Conceptual Framework for Financial Reporting 2018 (NZ Framework) to explain how a \$65 000 payment, for a mural on the external wall of the office building the company owned, should be treated in the company's financial statements. Candidates were required to first consider whether the mural could be considered an asset, and if not, could it be considered an expense. The order is critical. The assessment specifications clearly indicated that understanding of the 2018 NZ framework was required, however a number of candidates did not refer to this and had limited understanding of the concepts.

Question two was a current issues question that required candidates to first read a number of unfamiliar resources then critically evaluate whether chartered accountants have an obligation to act in a way that serves the public interest. Given the extensive resources available and the relatively open-ended nature of this question, candidates generally answered this question well. The answers were varied and imaginative. Candidates appeared to take considerable time to get familiar with the resources and spent time planning and incorporating the resources into their answers.

Question three was a technical question, and candidates had to use the information in the question to: (a) prepare all the journal entries and narrations necessary to prepare the financial statements; and (b) prepare a statement of comprehensive income classified by function, together with accompanying notes. Candidates who completed all the technical requirements performed well. Candidates' failure to meet the scholarship standard was in part due to not completing basic workings; in particular, those relating to depreciation and the share buyback. This meant that they failed to correctly adjust for depreciation for the asset revalued part way through the year and calculate the opening contributed equity figure. They also missed the information that stated that depreciation and revaluation adjustment have yet to be made for the current reporting period. This meant that they failed to adjust the profit for the year figure.

Question four required candidates to critically evaluate the three areas of operating, investing and financing activities to assess how well *Kathmandu Limited* managed its cash flows. Candidates were required to integrate information from the additional resources into their answer. Once again, well planned, succinct responses scored well. These candidates demonstrated logical development, precision and clarity of ideas. In contrast, many candidates appeared to "jump into" the question without a lot of thought. These candidates may not have provided an introduction or a conclusion or convincingly incorporated the additional resources into their answer. They failed to focus on the major or material items.

Part B: Report on performance standard

Candidates who were awarded Outstanding Scholarship commonly:

- wrote succinct answers that clearly conveyed their point of view
- could apply the definition and recognition criteria for either an asset or expense from the New Zealand Equivalent to the IASB Conceptual Framework for Financial Reporting 2018 (NZ Framework) to explain to their friend how the \$65 000 paid for the mural should be recognised in the company's financial statements

- correctly worked through the asset definition and recognised that the completion of the painting was the past event
- recognised the difficulties with applying the asset recognition criteria, and were able to then apply the expense definition and recognition criteria before coming to a conclusion
- recognised the mural as an asset, and acknowledged that the information contained in the financial statements needs to be both relevant and representationally faithful
- demonstrated innovation in that they recognised that the company owned the copyright to the mural and that this could provide future economic benefits.
- used the material provided in the resource booklet to critically evaluate the actions the accounting profession should take to ensure that their future actions are in the public interest
- demonstrated perception and insight in their analysis of actions accountants should take to ensure their actions are in the public interest
- exhibited the technical skills necessary to correctly prepare the statement of comprehensive income by function and accompanying note
- had the technical ability to correctly calculate the depreciation adjustment for assets acquired and disposed of during the year as well as the loss on disposal of assets
- used the additional information provided to prepare the majority of journal entries necessary to prepare the financial statements at the end of the reporting period
- provided complete and technically correct accompanying notes
- critically evaluated the three areas of operating, investing and financing activities to assess how well *Kathmandu Limited* managed their cash flows
- convincingly incorporated the additional resources into their answer.

Candidates who were awarded Scholarship commonly:

- were able to apply the definition and recognition criteria for either an asset or expense from the New Zealand Equivalent to the IASB Conceptual Framework for Financial Reporting 2018 (NZ Framework) to explain to their friend how the \$65 000 paid for the mural should be recognised in the company's financial statements
- made a decision that the \$65 000 should be recognised as an expense without first considering the definition and recognition criteria for an asset
- were often able to apply the definition criteria of an asset, however the application of the recognition criteria was not at the same level
- incorrectly believed that the payment to the artist was the past event rather than the completion of the painting
- incorrectly believed that the increase in sales that may result from the people looking at the painting could be measurable
- showed evidence of planning their answer and used the resources to support their position, going beyond a descriptive answer but not showing the same depth of analysis as the candidates who achieved outstanding scholarship
- exhibited the technical skills necessary to correctly prepare the statement of comprehensive income by function, including accompanying notes in a format suitable for external reporting purposes
- used the additional information provided to prepare some of the journal entries and narrations required to prepare the financial statements at the end of the reporting period
- made some of the adjustments necessary to calculate depreciation, the loss on disposal of assets and allocate the expenses between cost of sales, administration and distribution expenses
- provided some evidence of convincing communication in that they set out their answer clearly and correctly disclosed the information asked for as well as the majority of the information required in the accompanying note
- were able to evaluate the three areas of operating, investing and financing activities to assess how well *Kathmandu Limited* managed their cash flows.

Candidates who were not awarded Scholarship commonly:

- were unfamiliar with the most recent iteration of the New Zealand Equivalent to the IASB Conceptual Framework for Financial reporting 2018 (NZ Framework)
- were unfamiliar with the definition and recognition criteria for an asset or an expense or incorrectly applied the definition and recognition criteria
- simply listed the definition and recognition criteria for all financial statement elements
- did not plan answers
- did not use or integrate the resource material
- wrote descriptive answers with little depth of analysis

- did not exhibit the technical skills required to correctly prepare the statement of comprehensive income by function including accompanying notes in a format suitable for external reporting purposes
- incorrectly calculated depreciation on assets acquired part way through the year or the loss on the disposal of the asset
- did not set out statements clearly, neatly or use correct terminology
- provided answers which were a regurgitation of the material provided in the cash flow statement.

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Previous years reports

[2018 \(PDF, 111KB\)](#)

[2017 \(PDF, 51KB\)](#)
