

Assessment Report

New Zealand Scholarship Accounting 2020

Standard 93203

Part A: Commentary

The best performing candidates wrote succinctly. A few candidates equated quantity with quality. An 8 to 10 page written answer clearly does not meet the scholarship convincing communication criteria. The number of unstructured answers particularly for the concepts question was a concern. Candidates need to carefully plan not only their answers but also how they approach the examination. Where lengthy responses were given to the first two questions, the remaining two questions appeared rushed, and this was reflected in the quality of these scripts.

Question One was a current issues question that required candidates to first read a number of unfamiliar resources then critically evaluate Chartered Accountants Australia and New Zealand's stance on climate change and recommend how chartered accountants can make a positive contribution to improving climate change awareness. 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. Some of the answers to this question were truly outstanding.

Question Two 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 whether in light of new information, the journal entry made on the 1 April 2020 for the acquisition of manufacturing rights remained appropriate at 31 December 2020. Candidates were required to first consider whether the manufacturing rights that were acquired through a contract were an asset. The past event would be the signing of the contract to acquire the rights. The second part was the key to the question, namely judgement of whether the disclosure of the manufacturing rights as an asset at 31 December 2020 will provide information that is both relevant and representationally faithful. The factors that needed to be considered here to determine whether information disclosed by an asset is relevant are existence uncertainty; and probability associated with the expected inflow of economic benefits. 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 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. A concern is that candidates failed to read the question properly, e.g. despite the question asking candidates to ignore GST, some candidates ignored this instruction. The majority of candidates failed to apply critical thinking to additional information in point 6. This required a downward revaluation to an asset that had not been revalued previously. The required accounting treatment was clearly signposted in the question. A number of candidates who did meet scholarship or outstanding scholarship did however correctly account for the entry. Finally, candidates who completed all the technical requirements performed well. In general, candidates' failure to meet the scholarship standard was in part due to not completing basic workings; in particular, those relating to depreciation and failing to read the question. This meant that they failed to correctly adjust for depreciation for the asset traded in during the year and so incorrectly calculated the loss on disposal. 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. Of particular concern this year was the particularly poor processing skills demonstrated by many candidates.

Question Four was a management decision question that required candidates to draft a report to *Eolian Limited* recommending whether or not they should modify their irrigation system. Information was provided that candidates need to use for the financial (quantitative) part of the question. While not specifically requested, candidates should have considered non-financial (qualitative) factors when coming to their decision. This was the critical thinking part of this question. Candidates were required to integrate the financial and non-financial (quantitative and qualitative) factors into their answer. As senior managers are generally busy, they require reports that are planned, logical and succinct. In other words, convincing communication. Candidates who achieved outstanding scholarship and scholarship were able to demonstrate logical development, precision, and clarity of ideas. Although many candidates could calculate break-even, margin of safety and the number of units needed to be sold to double profit, they appeared at a loss to know what to do with the information. Additionally, merely calculating what the revised costs would be was insufficient. These candidates may not have provided an introduction or a conclusion, structured their answer in the form of a report, or convincingly dealt with the financial or non-financial factors.

Part B: Report on performance standard

Candidates who were awarded Outstanding Scholarship commonly:

- wrote succinct answers which clearly conveyed their point of view
- used the material provided in the resource booklet to critically evaluate Chartered Accountants Australia and New Zealand's stance on climate change
- demonstrated perception and insight in understanding that climate change is a matter of public interest, and recommending how chartered accountants can make a positive contribution to improving climate change awareness
- could apply the definition and recognition criteria for an asset from the New Zealand Equivalent to the IASB Conceptual Framework for Financial Reporting 2018 (NZ Framework) to understand that the initial recognition of the manufacturing right that has the potential to produce economic benefits as an asset is correct
- correctly worked through the asset definition and recognised, in particular, that the signing of the contract was the past event
- understood that in the statement of financial position at 31 December 2020, judgement needs to be made on whether the disclosure of the manufacturing right as an asset provides information that is both relevant and representationally faithful
- used critical thinking to recognise that at 31 December 2020 there is a high degree of measurement uncertainty associated with the inflow of economic benefits, so recognition as an asset may not be relevant to the users of the financial statements
- 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
- had the technical ability to correctly calculate the break-even point, margin of safety and number of units to be sold to double profits
- understood the role of break-even and margin of safety in management decision making
- used critical thinking to identify non-financial factors that may be relevant to management in making a final decision
- convincingly incorporated both financial and non-financial factors into their answer.

Candidates who were awarded Scholarship commonly:

- showed evidence of planning their answer and used the resources to support their position
- used the material provided in the resource booklet to evaluate Chartered Accountants Australia and New Zealand's stance on climate change but did not demonstrate the same depth of analysis as the candidates who achieved outstanding scholarship
- were able to make some recommendations on how chartered accountants can make a positive contribution to improving climate change awareness
- were able to apply the definition and recognition criteria for an asset from the NZ Framework to recognise that the entry made on the 1 April 2020 was correct

- were often able to apply the definition criteria of an asset, however the application of the recognition criteria was at the same level
- did not recognise that the signing of the contract to acquire the rights was the past event
- could not completely apply the asset recognition criteria at 31 December 2020, and while these candidates recognised an expense, they could not necessarily articulate why the manufacturing rights should be written off at the end of the reporting period
- demonstrated the technical skills necessary to correctly prepare the majority of adjusting journal entries
- 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 providing the majority of the information required in the accompanying financial statement notes
- demonstrated the technical ability to calculate the break-even, margin of safety or the number of units needed to be sold to double profit
- showed some understanding of how break-even and margin of safety could be used in making a decision, and demonstrated some convincing communication in that candidates were able to make a recommendation to management based on their calculations (although they may not necessarily have been correct).

Candidates who were not awarded Scholarship commonly:

- did not adequately plan their answers or approach to the exam paper
- merely restated the material provided in the resources in their answer
- did not use or integrate the resource material
- wrote descriptive answers with little depth of analysis
- were unfamiliar with the most recent iteration of the 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 have the technical skills to prepare the adjusting journal entries
- did not know the requirements for a statement of comprehensive income
- 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
- could not calculate or incorrectly calculated the break-even, margin of safety or the number of units needed to be sold to double profit
- did not appreciate that management also needs to consider non-financial information when making a decision.

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Previous years reports

[2019 \(PDF, 205KB\)](#)

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

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