Assessment Report

New Zealand Scholarship Accounting 2021

Standard 93203

Part A: Commentary

In line with previous years the quality of answers to the written questions is improving, however, some candidates continue to equate quantity with quality. Answers that are 6-8 pages long do not meet the scholarship criteria for convincing communication. The number of unstructured answers, particularly for the concepts question remains a concern. Not only do candidates need to carefully plan their answers, but also how they approach the examination. For example, candidates who spend too much time writing two eight-page written answers generally rush the remaining two questions and this is reflected in the quality of the overall scripts.

Question one was a technical question with elements of critical thinking. Candidates had to use the information in the question to: (a) prepare the asset and equity section of the statement of financial position at 31 July 2021; (b) prepare the accompanying property, plant and equipment disclosure note; and (c) prepare the statement of changes in equity. This question built on the statements question asked in the previous two years in that candidates were required to make adjustment to the “unadjusted profit before income tax” figure. These were the primary concerns with the answers to this question.

Firstly, although candidates were able to make some of the adjustments required in response to the additional information, often these did not follow through to the “unadjusted profit before income tax” figure.

Secondly, where the “unadjusted profit before income tax” figure had been adjusted, most candidates did not provide their workings.

Thirdly, many candidates failed to apply critical thinking to additional information in point 2, that is, reduce the “unadjusted profit before income tax” for the sale proceeds of the item of plant and equipment so that the loss on disposal could be correctly calculated, and point 3, depreciate the buildings after the revaluation.

Finally, a number of candidates provided all the notes that they could determine from the question. Candidates who completed the majority of the technical requirements performed well. Those who did not meet the scholarship standard was in part due to not completing basic workings; in particular, those relating to depreciation, calculating the loss on the disposal of the plant and equipment, and failing to correctly adjust the “unadjusted profit before income tax” figure. As highlighted in the previous report, many candidates demonstrated poor processing skills.

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 why a bank would ask for financial statements to be redrafted.

Candidates were required to first consider whether goodwill and capitalised research costs were assets. Do goodwill and capitalised research costs provide Tripple X Limited with certain rights, and does the company have control over the rights? Do these rights have the potential to produce economic benefits? Does the disclosure of goodwill and capitalised research costs provide information that is 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. Finally, could an amount be attributed to the goodwill and capitalised research costs that faithfully represents the value of the goodwill or the capitalised research costs?

A number of candidates correctly recognised that only purchased goodwill could be recognised as an asset in the state of financial position. There had been a past event and in this instance attributing an amount that represents the value o goodwill is straight forward. Other candidates took the view that the goodwill was internally generated, there was existe uncertainty, and as such, attributing an amount to this would not be representationally faithful. Both approaches were correct.

While candidates recognised that there had been a past event for the capitalised research costs, they were less certain whether this had the potential to produce economic benefits. The assessment specifications clearly indicated that understanding of the 2018 NZ Framework was required, however many candidates did not refer to this and had limited understanding of the definition and recognition criteria.

Question three was a current issues question which required candidates to first read a number of unfamiliar resources then critically evaluate the role of the [accounting] profession in an era of disruption. Given the extensive resources available and the relatively open-ended nature of this question, candidates generally answered this question well. As in previous years, 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 four was a five-part management decision question. Part (a) required candidates to calculate the predetermined overhead rate using professional salaries as the cost driver. Most candidates were able to correctly calculate this and as a result were able to justify why an accounting firm could use a single overhead rate to cost each client engagement. Most candidates were then able to calculate the amount to be charged for the investigation for Seasons to make a profit of 50 per cent on cost. Candidates who were unable to calculate the predetermined overhead rate were unable to correctly the amount Seasons should charge for the engagement (Part (c)).

Parts (d) and (e) were not answered particularly well. Many candidates were confused between the timesheets professional firms required to be maintained so that they can correctly allocate time to a client, and those staff use when they clock in or out for work. Candidates also had difficulty explaining why Summer would be justified in invoicing a lower amount for a new engagement (Part (e)).

Part B: Report on performance standard

Candidates who were awarded Outstanding Scholarship commonly:

- made full use of the additional information and resources to provide succinct answers which clearly conveyed their point of view
- had the technical ability and critical thinking skills necessary to correctly calculate the depreciation adjustment for assets that were revalued and disposed of during the year, as well as the loss on disposal of assets
- demonstrated the technical skills to use the additional information provided to prepare the majority of adjustments necessary to calculate retained earnings at 31 July 2021
- exhibited the technical and communication skills required to prepare the statement of financial position extract, the required technically correct accompanying note, and the statement of changes in equity, in a format suitable for external reporting purposes
- provided evidence of convincing communication in that candidates set out their answer clearly, and correctly disclosed the information required
- 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 explain why the bank would ask for the financial statements at 31 August 2021 to be redrafted
- correctly worked through the asset definition and recognition criteria to support their answer and identified whether a past event occurred that had the potential to generate economic benefits
- understood that at 31 August 2021, judgement needed to be made on whether the disclosure of goodwill and capitalised research costs in a statement of financial information provides information that is both relevant and representationally faithful
- used critical thinking to recognise that at 31 August 2021 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
- used the material provided in the resource booklet to critically evaluate the role of the profession [accounting] in an era of disruption

- demonstrated perception and insight in understanding the concept of an era of disruption and evaluating what th future role of the accounting profession would look like
- demonstrated the technical ability to correctly calculate predetermined overhead rate per dollar using profession salaries as the cost driver and correctly calculate the amount to be charged to make a profit of 50 per cent on co
- understood why professional firms are justified in using a single overhead rate to cost each client engagement, and why time sheets are important
- used critical thinking to articulate why an amount less that required to make a profit of 50 per cent on cost could be justified.

Candidates who were awarded Scholarship commonly:

- showed evidence of planning their answers and used the additional information and resources to support their position
- demonstrated the technical skills necessary to correctly prepare some of the adjustments necessary to account for the assets that were revalued, their depreciation and the loss on disposal
- demonstrated the technical skills to use the additional information provided to prepare some of the adjustments necessary to calculate retained earnings at 31 July 2021
- exhibited the technical and communication skills necessary to prepare the statement of financial position extract, accompanying note, and the statement of changes in equity in a format suitable for external reporting purposes
- provided some evidence of convincing communication in that they set out their answer clearly and correctly disclosed the information asked for, as well as including the majority of the information required in the accompanying financial statement note
- were able to 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 explain why the bank would ask for the financial statements at 31 August 2021 to be redrafted
- were often able to apply the definition criteria of an asset, however the application of the recognition criteria was not at the same level
- did not recognise that the research costs that had been incurred were as a result of a past event
- had difficulty in articulating measurement uncertainty around the capitalised research
- recognised the difficulties associated with attributing an amount that would faithfully represent the value of goodwill
- showed evidence of planning their answer and used the resources to support their position
- used the material provided in the resource booklet to evaluate the role of the profession in an era of disruption, but did not demonstrate the same depth of analysis as the candidates who achieved outstanding scholarship
- were able to make some evaluation on how the role of professional accountants will change in an era of disruption
- demonstrated the technical ability to correctly calculate a predetermined overhead rate per dollar using professional salaries as the cost driver and correctly calculate the amount to be charged to make a profit of 50 per cent on cost
- understood why professional firms are justified in using a single overhead rate to cost each client engagement, but showed less understanding of the importance of time sheets
- were unable to articulate why an amount, less that required to make a profit of 50 per cent on cost could be justified.

Candidates who were not awarded Scholarship commonly:

- did not use the additional information stated in the question or integrate the resources into their answers
- did not demonstrate the technical skills to correctly prepare some of the adjustments necessary to account for the assets that were revalued, their depreciation and the loss on disposal
- did not demonstrate the technical skills necessary to take into account the additional information to correctly calculate the retained earnings at 31 July 2021
- did not know the requirements for a statement of financial position, accompanying note and statement of changes in equity, so therefore showed little if any evidence of convincing communication
- did not set out statements clearly, neatly or use correct terminology
- merely regurgitated the material provided in the resources into their answer
- wrote descriptive answers with little depth of analysis
- 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

- could not correctly calculate predetermined overhead rate per dollar using professional salaries as the cost drive
correctly calculate the amount to be charged to make a profit of 50 per cent on cost
- did not understand why professional firms are justified in using a single overhead rate to cost each client engagement, or appreciate the importance of time sheets
- could not communicate why an amount less that required to make a profit of 50 per cent on cost could be justified.

Subject page

Previous years reports

2020 (PDF, 147KB)

2019 (PDF, 205KB)

2018 (PDF, 111KB)

2017 (PDF, 51KB)
