2025 NCEA Assessment Report

Subject:	Accounting
Level:	2
Achievement standard(s):	91174, 91176, 91177

General commentary

The Level 2 Accounting examination consisted of three papers, each having an independent context. It is important that candidates take the time to read the resource material, which is provided either in the separate resource booklet or as part of the examination booklet. Understanding the business context – retail or service, what it provides, and any relevant events or required adjustments – is essential for meeting the standards, particularly at higher grades.

Candidates who were familiar with the explanatory notes of each achievement standard, and the clarifications which were linked through the assessment specifications, were better prepared to answer the questions accurately. Candidates should also be familiar with the Level 2 Appendix, which outlines statement layout and other expectations for Level 2 Accounting.

Every question should be attempted in the examination booklet as credit towards Achievement, Achievement with Merit, and Achievement with Excellence can be accumulated throughout each part.

It is important that candidates proof-read their responses, double check calculations, avoid abbreviations, and use formal accounting definitions and language.

Report on individual achievement standard(s)

Achievement standard 91174: Demonstrate understanding of accounting concepts for an entity that operates accounting subsystems.

Assessment

This assessment consisted of three questions, each broken into parts. The relevant resource material was provided within the exam booklet and related to a retail business, *Kool Kicks*.

All questions, and their parts, should be answered and the quality of the answer and resulting grade is assessed across the entire question.

Commentary

Information provided in the resource material within each question assisted candidates in understanding the nature of the entity and provided details to enhance their responses.

Candidates are encouraged to use the formal definitions that are required at this level and avoid informal and colloquial definitions, such as “An expense is a cost the business must pay”. The NZQA Clarification of the New Zealand Framework, referenced in the assessment specifications, provides candidates and teachers with information about the definitions and recognition criteria of accounting elements.

It is important that candidates take the time to understand the nature of the business, and read the resource and questions carefully. An example of this was in Question 1(a), where many candidates referred to bank decreasing when the asset decreasing was inventory. Candidates should also ensure they are not relying on rote-learned definitions for higher grades.

Grade awarding

Candidates who were awarded **Achievement** commonly:

- provided rote-learned definitions with limited context and detail required for Merit, such as dollar amounts or specific examples from the resource
- stated the three characteristics of the expense definition in the context of the two pairs of shoes given to employees to wear at work
- described the recognition criteria of faithful representation
- described the qualitative characteristic of relevance as the net releasable value of $6 000 is capable of influencing the *Kool Kicks* owner Carl's decisions
- identified a limitation of the inventory revaluation as the net realisable value of the damaged sports shoes is based on an estimate
- described the Going Concern concept as *Kool Kicks* continuing to operate into the foreseeable future
- described the past, present, or future characteristics of an asset in context of the treadmills, but did not expand to their classification and where they are reported in the Statement of Financial Position for *Kool Kicks*
- stated that the units of use method of depreciation is the most appropriate method for the treadmills as the depreciation is based on the how much the treadmills are used, which is not constant or a consistent use of an asset
- described the accounting concept of materiality in terms of dollar size influencing users' decisions.

Candidates who were awarded **Achievement with Merit** commonly:

- explained definitions of financial elements, accounting concepts, and qualitative characteristics that included the context of each question, including figures provided in the resource material when writing their responses
- explained the three characteristics of the expense definition in context of the two shoes given to employees to wear at work, including that this transaction is not drawings by Carl, the owner of *Kool Kicks*
- explained the recognition criteria of faithful representation, as the total cost of $2 000 is truthful as *Kool Kicks* would have received an invoice / receipt from the supplier when the original purchase was made
- described that the estimated realisable value of $6 000 is a prediction of the future economic benefit / cash to be received from selling the damaged shoes
- explained how either the 10-year lease or the new treadmills costing $11 000 demonstrated the going concern concept as a 10-year lease or the purchase of the treadmills indicates *that Kool Kicks* intends to continue to operate into the foreseeable future
- explained the two asset characteristics of past and future in detail, but often missed present control when explaining the treadmills being an asset
- explained why the units of use method is the most appropriate method for the treadmills rather than the straight-line method used for the shop fittings, linked to how each asset is used by *Kool Kicks*
- described accrual basis with reference to the deposits received for pre-ordered limited shoes totalling $2 400 decreasing the sales revenue reported in the Income Statement of *Kool Kicks* for the year ended 31 March 2025

- described accrual basis with reference to the deposits received for pre-ordered limited shoes totalling $2 400 creating a current liability in the Statement of Financial of *Kool Kicks* as at 31 March 2025
- described how separating the two types of sales revenue assists Carl's decision-making as the sales of limited-edition shoes are decreasing over the three-month period, suggesting that they may no longer be fashionable.

Candidates who were awarded **Achievement with Excellence** commonly:

- answered all questions succinctly and accurately, in context, and supported by evidence. For example used the correct account names, $ figures, and examples from the resource material provided to justify their answer
- explained that the two pairs of shoes given to employees to wear at work result in a decrease of both inventory and profit for *Kool Kicks* and that this was not drawings taken by the owner, Carl
- explained that the realisable value of $6 000 is a prediction of the future economic benefit / cash to be received from selling the damaged shoes and, because this is an estimated amount, the figure may be either understated or overstated
- explained all three asset characteristics of past, present, and future in context and with detail
- justified why the units of use method is the most appropriate method for the treadmills rather than the straight-line method used for the shop fittings, as this best reflects the loss of economic benefit of the treadmills at $12 per hour
- Used the accrual basis concept to justify that the deposits received for pre-ordered limited shoes totalling $2 400 decreases the sales revenue reported in the Income Statement for the year ended 31 March 2025 as these sales relate to next period, and creates a current liability in the Statement of Financial Position as at 31 March 2025 as Kool Kicks has a present obligation to provide the limited-edition shoes to customers next accounting period
- jusitifed how separating the two types of sales revenue demonstrates the qualitative characteristic of materiality as well as assisting Carl's understanding; for example, the August total shoe sales of $75 000 hides the falling limited-edition shoe sales over the three-month period.

Candidates who were awarded **Not Achieved** commonly:

- provided responses that repeated the bullet points provided in the resource material without answering the questions being asked
- did not correctly define accounting concepts, financial elements, and qualitative characteristics, often using general terms
- incorrectly classified the new treadmills as a current asset in the Statement of Financial Position
- were unable to demonstrate an understanding of depreciation and why assets use different methods of depreciation
- did not answer all the questions.

Achievement standard 91176: Prepare financial information for an entity that operates accounting subsystems

Assessment

This examination paper consisted of three questions. A separate resource booklet was provided, and candidates were directed to the correct resource. Most candidates used the correct resource to answer the relevant question. Statement templates and spaces were provided for all questions.

The achievement standard describes three levels of adjustments: for achievement the figure is provided, for merit the figure requires a calculation, and for excellence the figure requires a multi-step

calculation. This is what determines the difficulty level of the adjustment, not what the adjustment is for. Some accounts had multiple adjustments.

The Explanatory Note 2 of the achievement standard states that to achieve this standard "involves processing and reporting financial information incorporating additional information. Additional information is selected from adjustments where the figure is provided and distinguishing cash information in the cash flow statement." Therefore, it is important that candidates can make balance-day adjustments through journal and ledger entries and correctly classify and adjust some numbers in the financial statements.

Commentary

This paper had had two different resources. The context was a service business. Candidates were directed to the appropriate resource, and nearly all used the correct one to answer the relevant question. This paper was handled well, especially considering many candidates were studying accounting for the first time. At the start of the paper, candidates were instructed to use the account names in the resource booklet and to not abbreviate. It is important that candidates read all instructions and resources carefully.

Question 3(c) instructed candidates to provide working, which includes labels. It is important that this instruction is followed. Labelled working requires labels that make the item recognisable, the figure, and treatment (what is added, what is subtracted).

Financial statements, including the Statement of Cash Flows are formal statements. They need to be prepared accordingly and there are exemplars and an appendix available showing this layout. Account names should be used in full and with nothing extra: no workings, no percentages, no payment method, and no abbreviations. Each item should only be entered once, sometimes requiring a total to be calculated before being entered in the statement.

Grade awarding

Candidates who were awarded **Achievement** commonly:

- recorded correct account names in the general journal to reflect balance-day adjustments, ensuring the debits equalled the credits
- used the correct account names / stem in the general ledger accounts and completed the entry by calculating the new balance for every entry, although often the figure was incorrect
- correctly classified accounts from the trial balance in the Income Statement for accounts with no balance-day adjustment and some correctly adjusted figures
- calculated total expenses to deduct from the total income figure to correctly calculate their profit for the year
- included additional and / or wrongly classified items in the financial statements
- completed the Accounts Receivable note using the figures in the Trial Balance
- completed the bottom section of the Property plant and equipment note 2 in Question 2(c)
- listed the property plant and equipment assets in the Non-Current Assets section of the Statement of Financial Position instead of the total from the note above
- included multiple foreign items in the Income Statement, for example computers, goodwill, accumulated depreciation
- included liabilities in the assets section of the Statement of Financial Position extract
- did not label the working and / or often did not total their answer when calculating the cash received from accounts receivable
- entered a sufficient number of correct payments in the Statement of Cash Flows in amongst some incorrect entries.

Candidates who were awarded **Achievement with Merit** commonly:

- accurately calculated balance-day adjustments requiring a one-step calculation and reported the adjusted figure in the Income Statement
- incorrectly closed the Accrued Expenses and / or Income and Advance ledger accounts
- completed most of the Property plant and equipment note 2 including the correct stems and figures for depreciation and accumulated depreciation
- correctly calculated the figures for the Property plant and equipment note 2 for the disposal (carrying amount) and the addition (excluding GST)
- completed the closing carrying amounts in the Property plant and equipment note 2 and totalled the 'total carrying amount' to transfer to Question 2(d)
- calculated and reported the subtotals for the current assets and non-current assets to calculate the total assets figure
- labelled Bad Debts as Sales returns when calculating Question 3(c) Cash from Accounts Receivable, and used the cash fees received or laptop invoice as opposed to the invoices issued for fees in their calculation
- incorrectly included the voucher donation in the Statement of Cash Flows
- correctly calculated the drawings and designers' wages figures in the Statement of Cash Flow.

Candidates who were awarded **Achievement with Excellence** commonly:

- used correct, full account names throughout the journals, ledgers, financial statements and their notes
- accurately recorded the closing of the drawings and depreciation on computers journal entry
- entered the designers' wages and office salary as separate entries in the Accrued Expenses ledger account, along with Interest on loan, and did not include a closing entry
- calculated all or nearly all the balance-day adjustment calculations in the Income Statement, including both depreciations and the printing expenses
- structured the Assets section of Statement of Financial Position extract (Question 2(d)), including the Property Plant and Equipment and Intangible asset headings
- transferred the Accounts Receivable and Property plant and equipment notes totals to the Assets section of the Statement of Financial Position
- fully labelled and calculated the Accounts Receivable total correctly, including the correct invoices total in the working and transferring the total to the receipts section of the Statement of Cash Flows
- correctly used Capital stem for Mere's transfer from savings account in the Statement of Cash Flows
- correctly entered the Laptop spending as $800 in the Statement of Cash Flows
- accurately recorded the opening bank balance as an overdraft and deducted this for the closing bank balance in the Statement of Cash Flows.

Candidates who were awarded **Not Achieved** commonly:

- included incomplete journal entries with only one account name, using the same account name for more than one entry, or the debit column not equalling the credit column
- included incorrect information in the journal and ledger entries, for example +, -, dr, cr or ()
- prepared incomplete or inaccurate ledger accounts, often using the ledger account name as the stem, using abbreviations, or not completing the balance column
- entered accounts and figures in the Income Statement without making any changes for the balance-day adjustments
- included Administrative Expenses in the Income Statement when this section was not asked for
- used abbreviations for account names preventing the awarding of grades
- left large amounts of the paper unanswered, such as attempting the journal entry for the office salary owing and leaving the rest unanswered

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Achievement standard 91177: Interpret accounting information for entities that operate accounting subsystems

Assessment

This assessment consisted of three questions, each having multiple parts, and all relating to the courier service business *Direct Delivery.* Some questions had bullet points which provided candidates with further information to help answer the question. Candidates were provided a separate resource booklet, and each question directed them to the resources to use.

Candidates must read the entire question, including the introduction and bullet points, in order to write their response. Generic responses about analysis measures were not sufficient and candidates needed to ensure their answers were relevant to information provided about *Direct Delivery*.

There is a wide scope of analysis measures that can be assessed in this achievement standard. It is important that candidates understand how different events and transactions can impact a range of ratios and percentages. Making recommendations and understanding consequences are important for business, and these can be derived from specific analysis measures and / or decisions. Using and understanding financial and non-financial information is required for this.

Commentary

Key events for *Direct Delivery* that related to the questions were the increase in demand for courier services, the purchase of a hybrid van and the loan required to do this, and the worsening age of accounts receivable. Successful candidates spent time reading and understanding the information and the connections between the different events, ratios, and percentages.

It was important for candidates to recognise key relationships within the resource, such as the purchase of the new van resulting in a decrease in petrol costs and the increase in the loan.

In accounting it is important that financial information is included to support answers. In addition to using relevant data to explain an analysis measure, many responses would have benefitted from the use of appropriate analysis measure figures and dollar amounts from the resource to support their explanations of trends and / or consequences.

Some candidates showed confusion about what influences the Age of Accounts Receivable and its impact on the Liquid ratio.

Candidates who used the resource information and didn’t rely on generic, rote-learned answers tended to understand the resource and assessment task well.

Grade awarding

Candidates who were awarded **Achievement** commonly:

- described a range of analysis measures with reference to their formulae and the analysis measure values for *Direct Delivery*
- related the percentage increase in fees received to relevant information in the resource booklet, such as NZ Post decreasing services or online shopping increasing
- described factors that influenced the courier cost % relevant to the courier business and resource material provided
- made a reasonable recommendation to improve the age of accounts receivable
- identified a consequence if money from account receivable is not collected faster
- provided a recommendation for the new van that was supported by non-financial information, or expected trends in dollar amounts.

Candidates who were awarded **Achievement with Merit** commonly:

- explained how the different components of the courier cost contributed to the trend for courier cost %
- explained a valid way to decrease the Age of Accounts Receivable by detailing a specific recommendation
- explained how the loan for the hybrid van influenced the equity ratio and the finance cost %
- made a reasoned recommendation about the new courier routes that was supported by a relevant analysis measure
- did not consistently link changes in analysis measures to profit when the questions asked for this.

Candidates who were awarded **Achievement with Excellence** commonly:

- consistently used and integrated relevant information from the resource material to frame their responses, including analysis measure figures and dollar amounts
- gave detailed answers using the relevant material and made clear links to profit, showing a clear understanding of accounting transactions and events
- evaluated the relative impacts of all the differing trends of the individual courier costs on the overall decreasing trend for courier cost %
- justified how discount allowed or reducing bad debts to improve the Age of Accounts Receivable would also impact the profit (and how)
- evaluated the potential impact of the low bank balance and the high Accounts Receivable on the ability to cover the immediate debts as they fall due, and the conseuences of such
- incorporated figures and calculations to justify their recommendation regarding the new courier routes.

Candidates who were awarded **Not Achieved** commonly:

- did not use the formulae sheet of analysis measures to help understand the question, or re-stated the question, and / or copied information from the resource without answering the question
- wrote brief answers, not developing them using the bullet points given in the questions
- gave answers inconsistent with the resource material
- left an entire question, or sections of questions, unanswered.